

Women, Infants, and Children (WIC)

**Fiscal Year 2018-19
May Revision Estimate**



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I. ESTIMATE

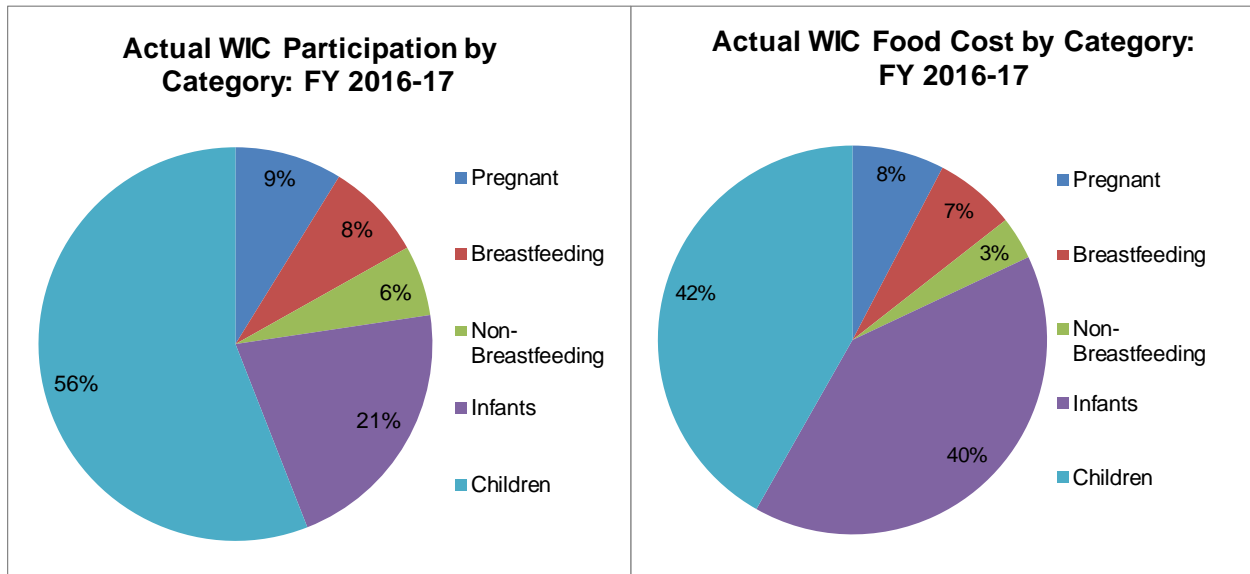
A. Program Overview

The California Department of Public Health/Women, Infants and Children (CDPH/WIC) Division operates a \$1.2 billion program serving approximately 1.1 million of California's residents each month. CDPH receives federal funding to administer the WIC Program based on a discretionary grant appropriated by Congress, plus subsequent reallocations of prior year unspent funds. The WIC Program is not an entitlement program; the number of participants served is limited by the discretionary grant.

The WIC Program provides nutrition services and food assistance for pregnant, breastfeeding, and non-breastfeeding women, infants, and children up to their fifth birthday who are at nutritional risk. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level (equivalent to an annual income of \$30,044 for a family size of two in 2017). WIC Program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and vouchers for specific supplemental foods redeemable at California WIC authorized grocers. The WIC Program is federally funded by the United States Department of Agriculture (USDA) under the federal Child Nutrition Act of 1966 and the Healthy, Hunger-Free Kids Act of 2010, as amended. Specific uses of WIC Program funds are required under federal laws and regulations, and CDPH must report funds and expenditures monthly.

This Estimate projects food expenditures based on: participation, historical expenditures by participation categories, any regulatory changes that affect costs, and inflation. CDPH/WIC estimates cost per participant in this Estimate at the participant category level. These categories are: (1) pregnant women, (2) breastfeeding women, (3) non-breastfeeding women, (4) infants, and (5) children. The Estimate also includes other Local Assistance and State Operations expenditures.

The two figures below display the distribution of participants and food cost by participant category.



The largest participant category served is children, due to children’s eligibility being the longest (age 1 to 5th birthday). Other participant categories are limited to one year of eligibility or less. Infants comprise 21 percent of the participants; however, they represent a higher percent of the food cost (40 percent), due to the higher cost of infant formula compared to other foods provided by the WIC Program. The proportionally higher cost of infant formula reduces the cost shares of the other categories below their participation share (e.g., the cost of the children’s category accounts for 42 percent of food costs despite its 56 percent participation share).

B. Food Expenditures

1. Current Year

Food Expenditures are comprised of the federal food expenditures and the WIC Manufacturer Rebate food costs. The 2018-19 Governor’s Budget estimated \$831.6 million (\$598.3 million federal fund and \$233.3 million rebate fund) for food expenditures. This May Revision Estimate anticipates revised Fiscal Year (FY) 2017-18 expenditures levels of \$801.1 million (\$568.4 million federal fund and \$232.7 million rebate fund), which is a decrease of \$30.5 million or 3.67 percent compared to the 2018-19 Governor’s Budget amount of \$831.6 million. The federal food expenditures decreased by \$29.9 million or 5.00 percent and the rebate expenditures decreased by \$620,000 or 0.26 percent for total decrease of \$30.5 million. The decrease in food expenditures is based on the most recent Consumer Price Index (CPI), which projects a 0.29 percent deflation in food cost, a 2.82 percent decrease from the November Estimate projection of 2.53 percent inflation, for FY 2017-18, as well as a further 1.12 percent decline in participation.

2. Budget Year

The 2018-19 Governor's Budget proposal estimated \$819.2 million (\$588.3 million federal fund and \$230.9 million rebate fund) for food expenditures. This May Revision anticipates revised FY 2018-19 expenditure levels of \$772.1 million (\$542.3 million federal fund and \$229.8 million rebate fund), which is a decrease of \$47.1 million or 5.75 percent compared to the 2018-19 Governor's Budget amount of \$819.2 million. The federal food expenditures decreased by \$46 million or 7.82 percent and the rebate expenditures decreased by \$1.1 million or 0.47 percent. Similar to current year, the decrease in food expenditures is based on the most recent CPI, which projects an inflation of 1.06 percent. This is lower than the 3.34 percent inflation rate used in the November Estimate. Projected participation also decreased another 1.1 percent from what was used in the November Estimate.

C. Other Local Assistance and State Operations Projections

In addition to food costs, the Local Assistance budget authority includes other federal funds from the Nutrition Services and Administration (NSA) grant, which are used to assist local agencies in the direct services provided to WIC families and support the management information system (MIS) used in the provision of those services. Examples of direct services include intake, eligibility determination, benefit issuance, nutrition education, breastfeeding support, and referrals to health and social services. The NSA grant also funds CDPH/WIC State Operations for administering the program.

1. Current Year

In FY 2017-18, the NSA budget and the anticipated expenditures for local administration are estimated at \$300.9 million, which is the same as the 2018-19 Governor's Budget. State Operations expenditures are estimated at \$63.5 million, which is also the same as the 2018-19 Governor's Budget.

2. Budget Year

In FY 2018-19, there is no change to the local administration expenditure estimate of \$300.9 million in the 2018-19 Governor's Budget. This amount provides sufficient local assistance spending authority for the increased MIS costs in the FY 2018-19 Office of Systems Integration proposal. State Operations expenditures are estimated to be \$63.7 million which is the same as the 2018-19 Governor's Budget.

D. Fiscal Comparison Summary

The following charts display comparisons of expenditures by fund source and the resources that will be used to support the expenditures from each fund. Sufficient federal funds and WIC Manufacturer Rebate Funds are available to support projected expenditures.

EXPENDITURE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	2017 Budget Act	SFY 2017-18				SFY 2018-19			
		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget	
Local Assistance Expenditures	938,424,000	899,152,000	869,219,000	(29,933,000)	-3.33%	889,131,000	843,150,000	(45,981,000)	-5.17%
Food Expenditures (Food Grant)	637,557,000	598,285,000	568,352,000	(29,933,000)	-5.00%	588,264,000	542,283,000	(45,981,000)	-7.82%
Other Local Assistance (NSA Grant)	300,867,000	300,867,000	300,867,000	-	0.00%	300,867,000	300,867,000	-	0.00%
State Operations (NSA Grant)	63,463,000	63,463,000	63,463,000	-	0.00%	63,684,000	63,684,000	-	0.00%

REVENUE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	2017 Budget Act	SFY 2017-18				SFY 2018-19			
		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget	
Total Available Resources	1,109,194,000	1,164,106,000	1,081,780,000	(82,326,000)	-7.07%	1,163,059,000	1,047,143,000	(115,916,000)	-9.97%
Food Grant	738,655,000	786,027,000	708,986,000	(77,041,000)	-9.80%	786,027,000	681,552,000	(104,475,000)	-13.29%
NSA Grant	370,539,000	378,079,000	372,794,000	(5,285,000)	-1.40%	377,032,000	365,591,000	(11,441,000)	-3.03%

EXPENDITURE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	2017 Budget Act	SFY 2017-18				SFY 2018-19			
		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget	
Local Assistance Expenditures	236,711,000	233,307,000	232,692,000	(615,000)	-0.26%	230,852,000	229,772,000	(1,080,000)	-0.47%

REVENUE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	2017 Budget Act	SFY 2017-18				SFY 2018-19			
		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget	
Total Available Resources	236,711,000	233,307,000	232,692,000	(615,000)	-0.26%	230,852,000	229,772,000	(1,080,000)	-0.47%

E. Expenditure Methodology/Key Drivers of Cost

Food expenditures are divided into five participant categories as described below. Each participant category has special nutrition needs that influence food costs.

Pregnant women are certified on the WIC program at any point in their pregnancy, and receive supplemental foods high in protein, calcium, iron, vitamin A, and vitamin C to support optimal fetal development.

Breastfeeding women are eligible for benefits up to their infant's first birthday, and receive an enhanced supplemental food package with foods high in protein, calcium, iron, vitamin A, and vitamin C to support caloric needs during breastfeeding. Non-breastfeeding women are eligible for benefits up to six months after the birth of their infants, and receive a supplemental food package to help in rebuilding nutrient stores, especially iron and calcium, and achieving a healthy weight after delivery.

Infants are certified until one year of age. The WIC Program promotes breastfeeding as the optimal infant feeding choice due to its many health, nutritional, economical, and emotional benefits to mother and baby. Infants may also receive supplemental foods

that are rich in protein, calcium, iron, vitamin A, and vitamin C during this critical period of development.

Children are certified from age one up to their fifth birthday, and receive supplemental foods rich in protein, calcium, iron, vitamin A, and vitamin C. These nutrients have been shown to be lacking in the diets of children who qualify for WIC benefits and are essential to meet nutritional needs during critical periods of development. The food package also provides foods lower in saturated fat to reduce the risk of childhood obesity.

F. Food Expenditure Projections (See Appendix B)

The following chart details food expenditures by participant category and the resources (federal funds or rebate funds) used to support those expenditures. Expenditures paid from the NSA grant are also displayed in the chart to show total federal funds used by CDPH/WIC for Local Assistance and State Operations.

EXPENDITURE COMPARISON (all funds)									
Expenditure Category	2017 Budget Act	SFY 2017-18				SFY 2018-19			
		2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget	2018-19 Governor's Budget	2018 May Revision	Change from 2018-19 Governor's Budget		
Pregnant	63,379,000	59,344,000	56,917,000	(2,427,000)	-4.09%	56,986,000	53,523,000	(3,463,000)	-6.08%
Breastfeeding	58,188,000	53,928,000	50,992,000	(2,936,000)	-5.44%	53,586,000	49,616,000	(3,970,000)	-7.41%
Non-Breastfeeding	29,309,000	28,202,000	27,364,000	(838,000)	-2.97%	27,618,000	26,252,000	(1,366,000)	-4.95%
Infants	321,211,000	319,084,000	308,733,000	(10,351,000)	-3.24%	314,878,000	298,083,000	(16,795,000)	-5.33%
Children	376,717,000	346,813,000	333,707,000	(13,106,000)	-3.78%	342,190,000	322,094,000	(20,096,000)	-5.87%
Reserve	25,464,000	24,221,000	23,331,000	(890,000)	-3.67%	23,858,000	22,487,000	(1,371,000)	-5.75%
Total Food Expenditures	874,268,000	831,592,000	801,044,000	(30,548,000)	-3.67%	819,116,000	772,055,000	(47,061,000)	-5.75%
<i>Food Expenditures Paid from Rebate Funds</i>	236,711,000	233,307,000	232,692,000	(615,000)	-0.26%	230,852,000	229,772,000	(1,080,000)	-0.47%
<i>Food Expenditures Paid from Federal Funds</i>	637,557,000	598,285,000	568,352,000	(29,933,000)	-5.00%	588,264,000	542,283,000	(45,981,000)	-7.82%
Other Local Assistance Expenditures (Federal NSA)	300,867,000	300,867,000	300,867,000	-	0.00%	300,867,000	300,867,000	-	0.00%
Total Federal Local Assistance Expenditures (Food + NSA)	938,424,000	899,152,000	869,219,000	(29,933,000)	-3.33%	889,131,000	843,150,000	(45,981,000)	-5.17%
State Operations (Federal NSA)	63,463,000	63,463,000	63,463,000	-	0.00%	63,684,000	63,684,000	-	0.00%

Prudent Reserve for Food Expenditures

A prudent reserve request of 3 percent for food expenditures is revised for current year to \$23.3 million, which is a decrease of \$890,000 or 3.67 percent compared to the 2018-19 Governor's Budget. The prudent reserve request for FY 2018-19 is revised to \$22.5 million; this is a decrease of \$1.4 million or 5.75 percent compared to the 2018-19 Governor's Budget.

The USDA allows states a 3 percent prudent reserve for food inflation and for any unexpected occurrences or natural disasters, which could affect food prices more than any projected "normal" inflation. An unexpected increase in food inflation or unemployment could increase costs beyond the projections in this Estimate. This amount also includes approximately \$2.5 million in allowable breast pump purchases that are projected to be made in each fiscal year using food funds.

II. FUND CONDITION STATEMENT

The Fund Condition Statement below shows the status of the WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for FY 2016-17, and projected revenues for FY 2017-18 and FY 2018-19.

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 2016-17 Actuals	SFY 2017-18 Estimate	SFY 2018-19 Estimate
BEGINNING BALANCE	179	254	323
Prior Year Adjustments	2	-	-
Adjusted Beginning Balance	181	254	323
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	69	69	69
4171600 External Revenue - Federal Government	4	-	-
4172500 Miscellaneous Revenue	218,348	232,692	229,772
Total Revenues, Transfers, and Other Adjustments	218,421	232,761	229,841
Total Resources	218,602	233,015	230,164
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	218,348	232,692	229,772
Total Expenditures and Expenditure Adjustments	218,348	232,692	229,772
FUND BALANCE	254	323	392

III. ASSUMPTIONS

1. Future Fiscal Issues

a. Rescission of Unspent Funds

Background: The President's budget called for a funding level of \$5.75 billion for Women, Infants and Children (WIC) in the FY 2019 Agriculture Appropriations bill coupled with a \$215 million rescission of unspent funds. This is a decrease of approximately 10 percent from the Consolidated Appropriations Act, 2018.

Description of Change: The rescission may result in a decrease in budget year funding for both Food and Nutrition Services Administration (NSA) grants.

Discretionary: No. The Appropriation Committees and members of the Legislature decide the funding level for WIC.

Reason for Adjustment/Change:

- The Federal budget for WIC that the President and Legislature pass and vote on has a major impact on California's Food and NSA funding levels.
- The average monthly food costs have been relatively flat and food cost inflation is low.
- Cost containment strategies have helped reduce program costs and rebates are among their highest levels.
- WIC participation continues to slowly decline.

Fiscal Impact (Range) and Fund Source(s): The fiscal impact is approximately \$2.3 million decrease from FY 2018 to California (CA) WIC Food grant and approximately \$19.8 million decrease from FY 2018 to CA WIC NSA grant. The total potential decrease to Federal Trust Fund (Fund 0890) is \$22.2 million.

2. New Assumptions/ Premises

b. Rescission of Unspent Funds

Background: The President signed the FY 2018 omnibus bill on March 23, 2018. The budget appropriated a funding level of \$6.175 billion for Women, Infants and Children (WIC) coupled with an \$800 million rescission of unspent funds.

Description of Change: The rescission will result in a decrease in current and budget year funding for both Food and Nutrition Services Administration (NSA) grants.

Discretionary: No. The Appropriation Committees and members of the Legislature decide the funding level for WIC.

Reason for Adjustment/Change:

- The Federal budget for WIC that the President and Legislature pass and vote on has a major impact on California's Food and NSA funding levels.
- The average monthly food costs have been relatively flat and food cost inflation is low.
- Cost containment strategies have helped reduce program costs and rebates are among their highest levels.
- WIC participation continues to slowly decline.

Fiscal Impact (Range) and Fund Source(s): The fiscal impact is a \$54 million decrease from FY 2017 to California (CA) WIC Food grant and a \$6.5 million decrease from FY 2017 to CA WIC NSA grant. The total decrease to Federal Trust Fund (Fund 0890) is \$60.5 million.

3. Existing (Significantly Changed) Assumptions/Premises

There are no Existing (Significantly Changed) Assumptions/Premises.

4. Unchanged Assumptions/Premises**a. Infant Formula**

Background: On July 31, 2017, the California Department of Public Health (CDPH)/WIC infant formula contract with Mead Johnson and Company expired. In August 2016, CDPH/WIC issued an invitation for bid (IFB) to infant formula manufacturers for the purpose of procuring revenue-generating contracts for the provision of milk-based and soy-based iron-fortified infant formula for the WIC Program in three forms: liquid concentrate, powder, and ready-to-feed. The IFB included separate solicitations for milk-based and soy-based iron-fortified infant formula. The same contractor, Mead Johnson and Company, once again offered the lowest total net cost per month for both milk-based and soy-based infant formula; therefore, in December 2016, CDPH awarded the infant formula contract for both forms of infant formula to Mead Johnson and Company. The term of the infant formula contract is for three years, with the option of extending up to two additional years for a total of five years. The new contract started August 1, 2017.

Description of Change: With this new contract, the rebated dollar amount CDPH will receive per can of formula sold will significantly increase, which will result in a decrease in the net cost for infant formula purchased by CDPH/WIC, thereby decreasing overall food expenditures.

Discretionary: No. Federal WIC regulations require that CDPH/WIC has a continuous revenue-generating rebate contract in place for cost containment of both milk-based and soy-based infant formula.

Reason for Adjustment/ Change: Increase in infant formula rebate dollar amounts will result in a decrease to the overall cost of infant formula.

Fiscal Impact (Range) and Fund Source(s): \$24 million increase to the WIC Manufacturer Rebate Fund (3023) and a \$24 million decrease to the Federal Trust Fund (0890), as this rebate fund increase is a direct offset to the expenditure of food funds.

5. Discontinued Assumptions/Premises

a. Changes to Methodology to Identify and Remove Partially-Redeemed Food Instruments by Vendor Peer Group

The changes to methodology to identify and remove partially-redeemed food instruments by vendor peer group assumption was discontinued. CDPH/WIC has a full year worth of data partially-redeemed food instruments (FIs) by vendor peer group, and it has been incorporated in the actual and projected expenditures.

Background: CDPH/WIC posted the final action for WIC Regulatory Bulletin 2016-01 on August 3, 2016 with an effective date of September 7, 2016. This bulletin amends WIC Bulletin Regulation (WBR) 60300 regarding Rules for Calculating the Maximum Allowable Department Reimbursement (MADR) rate. California Health and Safety Code §123322 authorizes CDPH/WIC to adopt criteria used for WIC vendor authorization using a bulletin regulatory process. The proposed amendments modified the methodology CDPH/WIC uses to identify and exclude partially-redeemed food instruments (FIs) from the Statewide Average. The new methodology identified partially-redeemed FIs by determining the Minimum Full Redemption Value (MFRV) at the peer group level. Redemptions identified as partially-redeemed are excluded from the calculation of the Statewide Average because their presence in the data used for these calculations artificially lowers the MADR rate.

Description of Change: CDPH/WIC identified and excluded partially-redeemed FIs from the Statewide Average by determining the MFRV at the peer group level. This resulted in increased food funds expenditure due to increased MADR rates for Above-50-Percent vendors, since the MADR for the Above-50-percent vendors is calculated using the Statewide Average.

Discretionary: Yes. Federal WIC regulations allow state WIC agencies to exclude partially-redeemed FIs upon establishing an empirical methodology approved by USDA. WIC Bulletin Regulations Section 60300 created a methodology for identifying and excluding partially-redeemed food instruments across all peer groups.

Reason for Adjustment/ Change:

- Currently partially-redeemed FIs are identified for each food item number by summing the lowest shelf prices submitted for each food item, regardless of vendor or peer group.

- Stakeholder feedback indicated this methodology did not sufficiently exclude partially-redeemed FIs from the calculation of the Statewide Average by not creating an adequate partial redemption threshold and failing to identify and exclude some partially-redeemed FIs.
- By using different prices from different vendors regardless of peer groups to calculate a MFRV, it is possible that the MFRVs do not represent real prices charged by any single authorized store.
- The methodology change established by these amendments meets United States Department of Agriculture standards for an empirical methodology and will result in a more accurate Statewide Average redemption value without a significant impact on food or workload costs.

Fiscal Impact (Range) and Fund Source(s): On-going annual cost of approximately \$800,000 to the Federal Trust Fund (0890).

IV. APPENDICES

APPENDIX A

Rationale and Methodology for Participation and Expenditure Projections

According to the most recent data (Eligibles and Program Reach, 2015, by USDA/Food and Nutrition Service released in February 2018), CDPH/WIC serves 65.0 percent of eligible Californians (the highest coverage of eligible persons of all state WIC Programs, second nationally behind Puerto Rico), while the national average is 52.7 percent.

Federal fiscal year (FFY) 2013 marked the first decline in California's WIC Program participation since 2000, following similar participation declines nationwide that began in 2012. A variety of factors may have contributed to the decline of participation and/or eligible persons, including economic factors such as unemployment, demographic changes such as birth rates, immigration trends, and technology trends that are influences outside the control of CDPH/WIC.

Participation in the WIC Program in California is one of the drivers of food costs.

The five participation categories are forecasted separately, based on:

- The participation numbers during the prior year;
- The five-year trend in participation in each category (average of percentage changes over the past five years); and
- The forecasted number of births obtained from the Department of Finance (Finance) (applied to all categories except children).

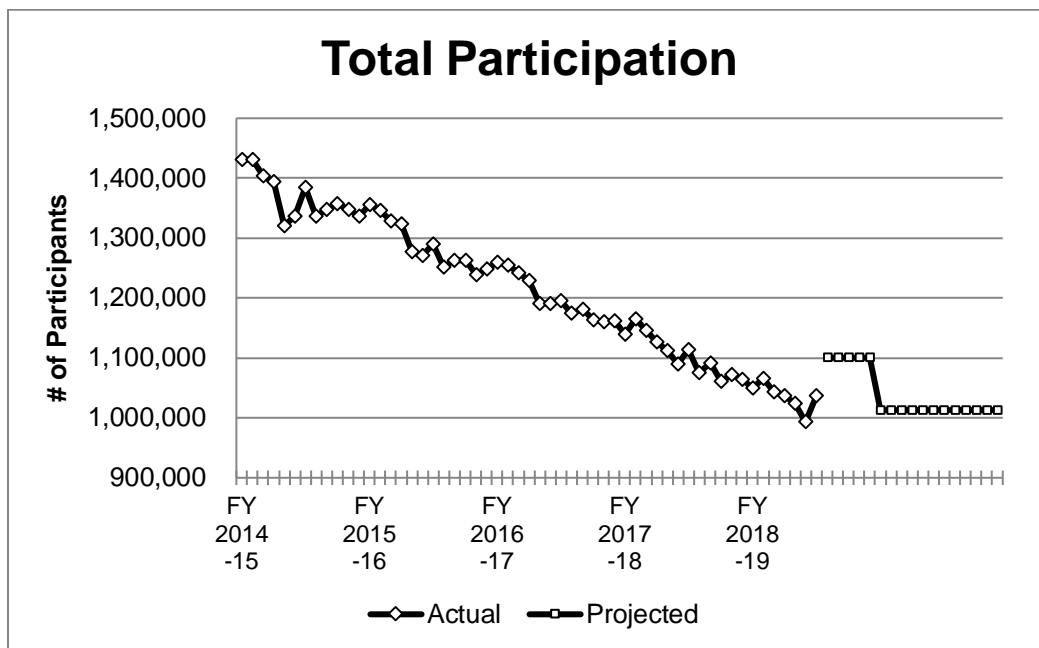
For each category, the five-year trend in actual participation is applied to the prior year category participation, and 60 percent of the forecasted change in births is added to that number (except for children) to arrive at a final forecast. The births adjustment is based on research showing that 60 percent of all infants born in California were enrolled in WIC by their first birthday (California WIC Association, 2012). Data from Finance's Demographics Research Unit projects births to decrease by 0.92 percent in FY 2017-18. Live birth projections are an indication of participation rates because the WIC Program serves pregnant and postpartum women and their infants, as well as other children they could bring into the WIC Program.

Total estimated FY 2017-18 participation is calculated as a sum of forecasted participation in each participant category. For FY 2016-17, monthly average participation was 1,104,705. CDPH/WIC estimates FY 2017-18 participation will continue to decrease, at a rate of 3.81 percent (compared to 7.97 percent in FY 2016-17). An additional 35,911 monthly child participants for FY 2017-18 were added as a forecasted result of the 2016-17 *Increasing the Enrollment of Children in WIC* proposal. The child participation increase was allocated to the months after January 2018, allowing time for the implementation of activities after the September

2017 distribution of maps resulting from the CalFresh/WIC data match. February through June 2018 is projected to have a monthly average participation of 1,100,260 with the overall estimated monthly average for the entire FY 2017-18 projected at 1,062,623 participants.

The basis for FY 2018-19 forecasts are the FY 2017-18 forecasted totals because actuals are not currently available, along with a projected 0.05 percent decrease in births for that FY. An additional 9,576 monthly child participants for FY 2018-19 were added as a forecasted result of the FY 2016-17 *Increasing the Enrollment of Children in WIC* proposal. CDPH/WIC estimates that FY 2018-19 total participation will continue to decrease, at a rate of 4.67 percent (compared to the forecasted 2.68 percent in FY 2017-18). The overall estimated monthly average is 1,012,984 for FY 2018-19.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for FY 2017-18, which includes updated actual participation numbers through January 2018.



Total Food Expenditures

Food expenditures for each participant category are divided by the number of participants in that category to determine the average food cost per participant, which is then adjusted using the CPI projections for Food at Home from the Finance Economic Research Unit. The updated projected CPI rate in FY 2017-18 is a deflation of -0.29 percent, and for FY 2018-19 is an inflation of 1.06 percent. Projected CPI rates used in the November Estimate were inflation of 2.53 percent and 3.34 percent for FY 2017-18 and FY 2018-19, respectively. Historical expenditures and average per participant food costs for FY 2017-18 through January 2018 were used to update projections for

FY 2017-18 and FY 2018-19 food costs.

Below is a chart summarizing total actual food cost expenditures for FY 2016-17 and food cost projections for the current and budget years by participant category.

Factor	SFY 2016-17	SFY 2017-18				SFY 2018-19			
	Actuals	2018-19 Governor's Budget	2018 May Revision	Change from SFY 2016-17 Actuals		2018 May Revision	Change from SFY 2017-18 in 2018 May Revision		
Pregnant	Average monthly participation	97,382	90,062	89,022	-8,360	-8.58%	82,827	-6,195	-6.96%
	Average cost per participant	\$ 53.44	\$ 54.91	\$ 53.28	\$ (0.16)	-0.30%	\$ 53.85	\$ 0.57	1.07%
	Annual Expenditures*	\$ 62,449,128	\$ 59,343,653	\$ 56,917,106	\$ (5,532,022)	-8.86%	\$ 53,522,807	\$ (3,394,299)	-5.96%
Postpartum Breastfeeding Women	Average monthly participation	88,793	84,873	82,448	-6,345	-7.15%	79,375	-3,073	-3.73%
	Average cost per participant	\$ 51.69	\$ 52.95	\$ 51.54	\$ (0.15)	-0.29%	\$ 52.09	\$ 0.55	1.07%
	Annual Expenditures*	\$ 55,076,520	\$ 53,928,304	\$ 50,992,439	\$ (4,084,081)	-7.42%	\$ 49,615,725	\$ (1,376,714)	-2.70%
Postpartum Non-Breastfeeding Women	Average monthly participation	63,935	60,400	60,279	-3,656	-5.72%	57,224	-3,055	-5.07%
	Average cost per participant	\$ 37.94	\$ 38.91	\$ 37.83	\$ (0.11)	-0.29%	\$ 38.23	\$ 0.40	1.06%
	Annual Expenditures*	\$ 29,108,328	\$ 28,201,968	\$ 27,364,255	\$ (1,744,073)	-5.99%	\$ 26,252,082	\$ (1,112,173)	-4.06%
Infants	Average monthly participation	236,529	225,380	223,428	-13,101	-5.54%	213,459	-9,969	-4.46%
	Average cost per participant	\$ 115.49	\$ 117.98	\$ 115.15	\$ (0.34)	-0.29%	\$ 116.37	\$ 1.22	1.06%
	Annual Expenditures*	\$327,800,808	\$319,083,989	\$308,732,810	\$ (19,067,998)	-5.82%	\$298,082,686	\$ (10,650,124)	-3.45%
Children	Average monthly participation	618,066	614,393	607,446	-10,620	-1.72%	580,099	-27,347	-4.50%
	Average cost per participant	\$ 45.91	\$ 47.04	\$ 45.78	\$ (0.13)	-0.28%	\$ 46.27	\$ 0.49	1.07%
	Annual Expenditures*	\$340,504,920	\$346,812,561	\$333,706,535	\$ (6,798,385)	-2.00%	\$322,094,169	\$ (11,612,366)	-3.48%
Total**	Average monthly participation	1,104,705	1,075,108	1,062,623	-42,082	-3.81%	1,012,984	-49,639	-4.67%
	Average cost per participant	\$ 61.47	\$ 62.58	\$ 60.99	\$ (0.48)	-0.79%	\$ 61.66	\$ 0.67	1.10%
	Annual Expenditures*	\$814,939,704	\$807,370,475	\$777,713,145	\$ (37,226,559)	-4.57%	\$749,567,469	\$ (28,145,676)	-3.62%

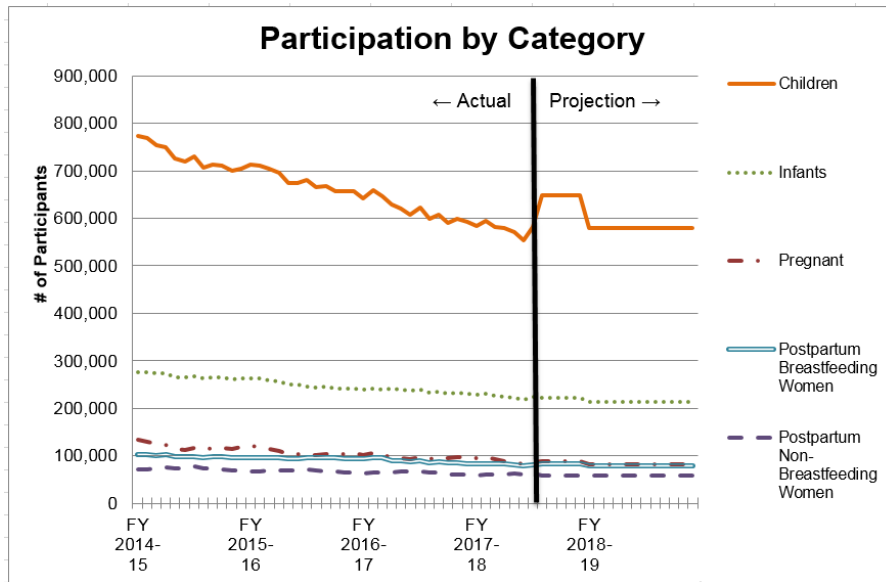
* Numbers rounded to the nearest dollar.

**Does not include 3% Reserve in food expenditures.

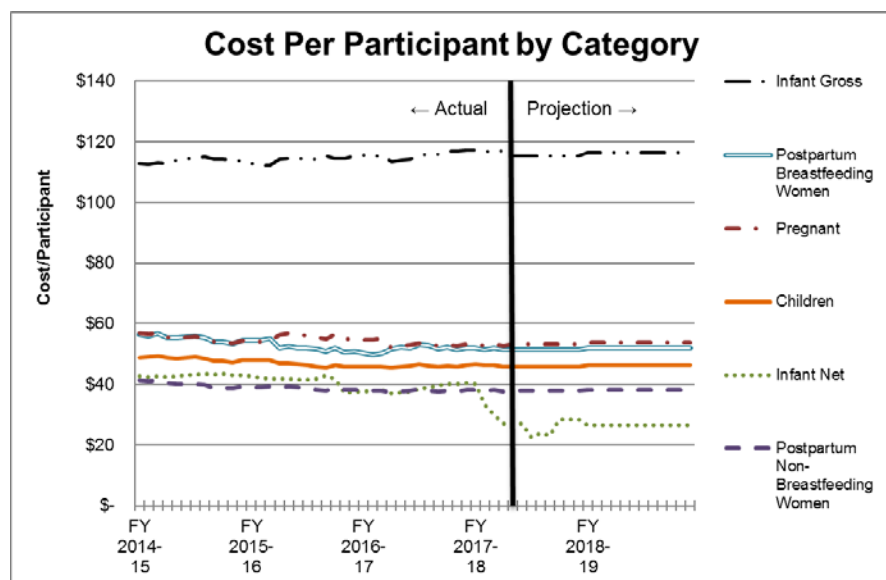
APPENDIX B

Participant and Food Cost Projections by Category

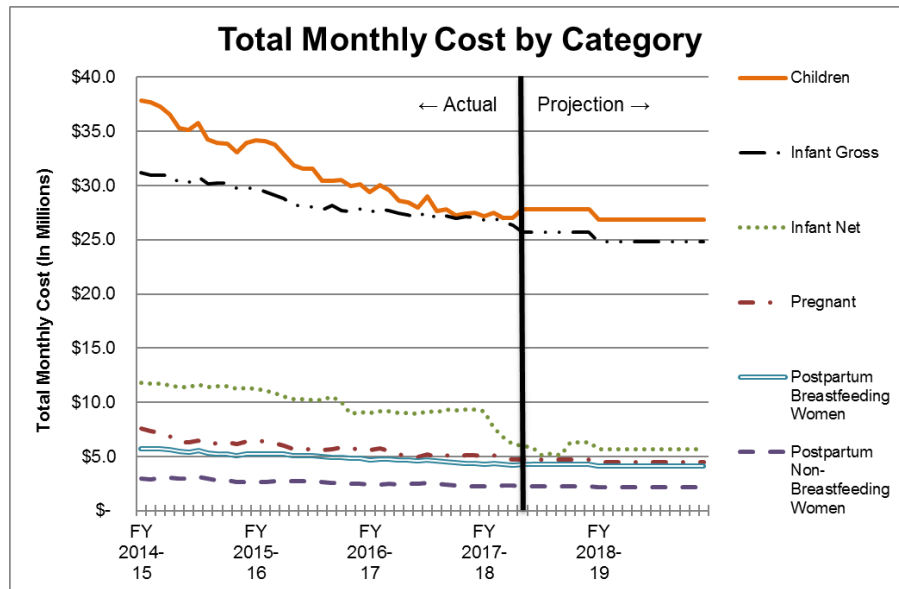
The figure below shows actual and projected participation trends since FY 2014-15. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. Forecasted monthly participation by category is included in the table in Appendix A.



The figure below shows average cost per participant in each category. Projected costs per participant include inflation projections.



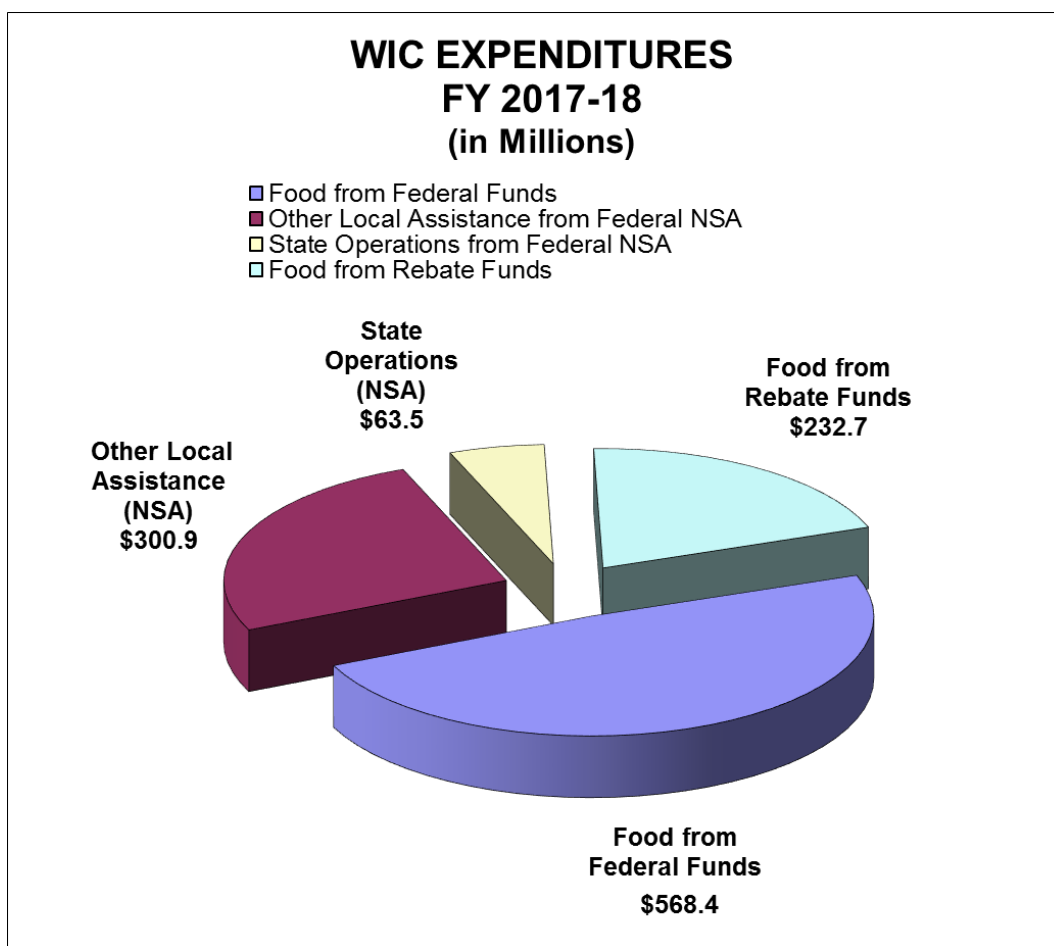
The figure below consolidates the information in the above two figures, and shows total monthly cost by category (forecasted participation times average cost per participant).



APPENDIX C

WIC Special Display Chart (Government Code 13343)

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2016-17 (Actual)	CY SFY 2017-18 (Estimated)	BY SFY 2018-19 (Proposed)
LOCAL ASSISTANCE			
0890 <i>Federal Grant for Food</i>	\$ 612,661,499	\$ 568,352,000	\$ 542,283,000
0890 <i>Federal Grant for Administration</i>	\$ 293,622,887	\$ 300,867,000	\$ 300,867,000
TOTAL FEDERAL TRUST FUND	\$ 906,284,386	\$ 869,219,000	\$ 843,150,000
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 218,347,513	\$ 232,692,000	\$ 229,772,000
TOTAL LOCAL ASSISTANCE	\$ 1,124,631,899	\$ 1,101,911,000	\$ 1,072,922,000
STATE OPERATIONS			
0890 <i>Federal Grant for State Operations</i>	\$ 51,948,224	\$ 63,463,000	\$ 63,684,000
GRAND TOTAL WIC PROGRAM	\$ 1,176,580,123	\$ 1,165,374,000	\$ 1,136,606,000



APPENDIX D**Revenue Projections**

CDPH/WIC is federally funded by the USDA through the Food Grant and the NSA Grant, as well as through rebates received from the contracted infant formula manufacturer.

The federal revenue estimates are revised for FY 2017-18 and total \$1.082 billion, which is a decrease of \$82.3 million or 7.07 percent compared to the \$1.164 billion amount provided in the 2018-19 Governor's Budget.

For FY 2018-19, the projected federal revenue will total \$1.047 billion, which is a decrease of \$115.9 million or 9.97 percent compared to the 2018-19 Governor's Budget amount of \$1.163 billion. The decrease is based on the President's proposed budget for FY 2019, Efficient, Effective, Accountable: An American Budget.

REVENUE COMPARISON (all funds)									
Revenue Source	2016-17 Actual	2018-19 Governor's Budget	SFY 2017-18			2018-19 Governor's Budget	SFY 2018-19		
			May Revision	Change from 2018-19 Governor's Budget			May Revision	Change from 2018-19 Governor's Budget	
Federal Food Grant	788,022,000	786,027,000	708,986,000	(77,041,000)	-9.80%	786,027,000	681,552,000	(104,475,000)	-13.29%
Rebate Food Funds	218,348,000	233,307,000	232,692,000	(615,000)	-0.26%	230,852,000	229,772,000	(1,080,000)	-0.47%
Total Funds for Food	1,006,370,000	1,019,334,000	941,678,000	(77,656,000)	-7.62%	1,016,879,000	911,324,000	(105,555,000)	-10.38%
Federal NSA Grant	377,023,000	378,079,000	372,794,000	(5,285,000)	-1.40%	377,032,000	365,591,000	(11,441,000)	-3.03%
Total Federal Funds	1,165,045,000	1,164,106,000	1,081,780,000	(82,326,000)	-7.07%	1,163,059,000	1,047,143,000	(115,916,000)	-9.97%

1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for CDPH/WIC 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 is approximately 17 percent of the national appropriation. Federal funds are granted to each state using a formula methodology as specified in federal regulation to distribute the following:

- Federal Food Grant funds that reimburse authorized vendors for foods purchased by WIC participants; and
- NSA funds that reimburse local WIC agencies contracted for direct services provided to WIC participants and support state operations.

2. Federal Food Grant

Nationally, approximately 69 percent of the appropriation is allocated for food, and CDPH/WIC receives approximately 17 percent of that appropriation.

FEDERAL REVENUE PROJECTIONS (Food)					
	A	B	C	D	E=(A-B)*C*D
	National Budget Appropriation	Discretionary Funds	Food Allocation	California Share	Total Allocated Food
FFY 2017	\$ 6,350,000,000	\$ 100,000,000	69.67%	17.25%	\$ 751,172,420
FFY 2018	\$ 5,375,000,000	\$ 115,000,000	68.57%	17.47%	\$ 630,208,943

The appropriated 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 from all states' WIC programs that have not, or will not, be able to expend all of their grant funds, which 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. CDPH/WIC has typically applied for reallocations and has been successful in receiving these additional funds. 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.

In FY 2017-18, Food Grant revenue is expected to total \$709.0 million, which is a decrease of \$77.0 million or 9.80 percent compared to \$786.0 million in the 2018-19 Governor's Budget.

In FY 2018-19, Food Grant revenue is expected to total \$681.6 million, which is a decrease of \$104.5 million or 13.29 percent compared to \$786.0 million in the 2018-19 Governor's Budget.

WIC RESOURCES FOR FOOD			
	FFY 2017	FFY 2018	Prorate to SFY 2017-18
Base Appropriation	\$ 751,172,420	\$ 630,208,943	\$ 660,449,812
Reallocations	\$ 34,854,403	\$ 53,096,305	\$ 48,535,830
Total	\$ 786,026,823	\$ 683,305,248	\$ 708,985,642
	FFY 2018	FFY 2019	Prorate to SFY 2018-19
Base Appropriation	\$ 630,208,943	\$ 645,478,616	\$ 641,661,198
Reallocations	\$ 53,096,305	\$ 35,489,258	\$ 39,891,020
Total	\$ 683,305,248	\$ 680,967,874	\$ 681,552,218

3. NSA Grant

Approximately 31 percent of the national WIC appropriation is allocated for NSA, and California receives approximately 16 percent of that allocation.

FEDERAL REVENUE PROJECTIONS (NSA)					
	A	B	C	D	E=(A-B)*C*D
	National Budget Appropriation	Discretionary Funds	NSA Allocation	California Share	Total Allocated NSA
FFY 2017	\$ 6,350,000,000	\$ 100,000,000	30.33%	16.61%	\$ 314,823,210
FFY 2018	\$ 5,375,000,000	\$ 115,000,000	31.43%	16.36%	\$ 270,399,145

In FY 2017-18, NSA Grant revenue is expected to total \$372.8 million, which is a decrease of \$5.3 million or 1.40 percent compared to \$378.1 million in the 2018-19 Governor's Budget.

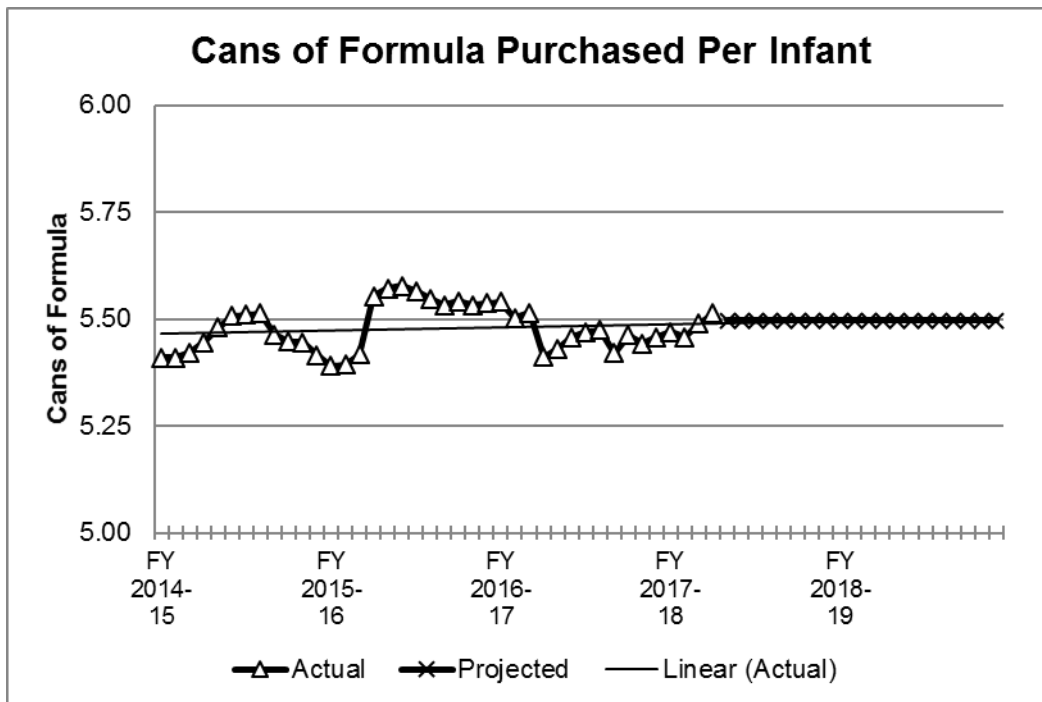
In FY 2018-19, NSA Grant revenue is expected to total \$365.6 million, which is a decrease of \$11.4 million or 3.03 percent compared to \$377 million in the 2018-19 Governor's Budget.

WIC RESOURCES FOR NSA			
	FFY 2017	FFY 2018	Prorate to SFY 2017-18
Base Appropriation, NSA*	\$ 299,082,050	\$ 256,879,188	\$ 267,429,904
Farmers' Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 8,818,442	\$ 8,731,149	\$ 8,752,972
Reallocations	\$ 29,079,181	\$ 64,141,703	\$ 55,376,073
Spendforward	\$ 38,826,419	\$ 39,285,542	\$ 39,170,761
Total	\$ 377,870,075	\$ 371,101,565	\$ 372,793,693
	FFY 2018	FFY 2019	Prorate to SFY 2018-19
Base Appropriation, NSA*	\$ 256,879,188	\$ 270,535,679	\$ 267,121,556
Farmers' Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 8,731,149	\$ 8,731,149	\$ 8,731,149
Reallocations	\$ 64,141,703	\$ 30,637,522	\$ 39,013,567
Spendforward	\$ 39,285,542	\$ 39,285,542	\$ 39,285,542
MIS Grant	\$ -	\$ 12,500,000	\$ 9,375,000
Total	\$ 371,101,565	\$ 363,753,875	\$ 365,590,798

* 5% is subtracted from Total Allocated NSA for Regional Contribution to Operational Adjustment funds to arrive at this amount

4. Rebate Funds: WIC Manufacturer Rebate Fund 3023

In addition to the Federal Food and NSA Grants, CDPH/WIC receives rebate funds from the contracted infant formula manufacturer. CDPH/WIC estimates current year infant formula WIC Manufacturer Rebate Fund revenues to total \$232.7 million, a decrease of \$600,000 or 0.26 percent compared to the 2018-19 Governor’s Budget amount of \$233.3 million. In FY 2018-19, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues to total \$229.8 million, which is a decrease of \$1.1 million or 0.47 percent compared to the 2018-19 Governor’s Budget.



The program as a whole prescribes approximately 5.5 cans of infant formula per month for each infant issued formula, which is then multiplied by the number of infants projected to be served monthly to arrive to total cans purchased. This number is then divided proportionally between the different forms of infant formula purchased by the program to account for price variations by type of formula. The total number of cans is multiplied by the rebate per can to arrive at a total rebate projection by obligation month.

Federal regulations require rebate revenue to be reported in the month in which it is received (cash basis). The rebate projection for the applicable state fiscal year is then adjusted to project revenue on a cash basis.