

Women, Infants, and Children (WIC)

FY 2016-17 May Revision Estimate



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I. ESTIMATE

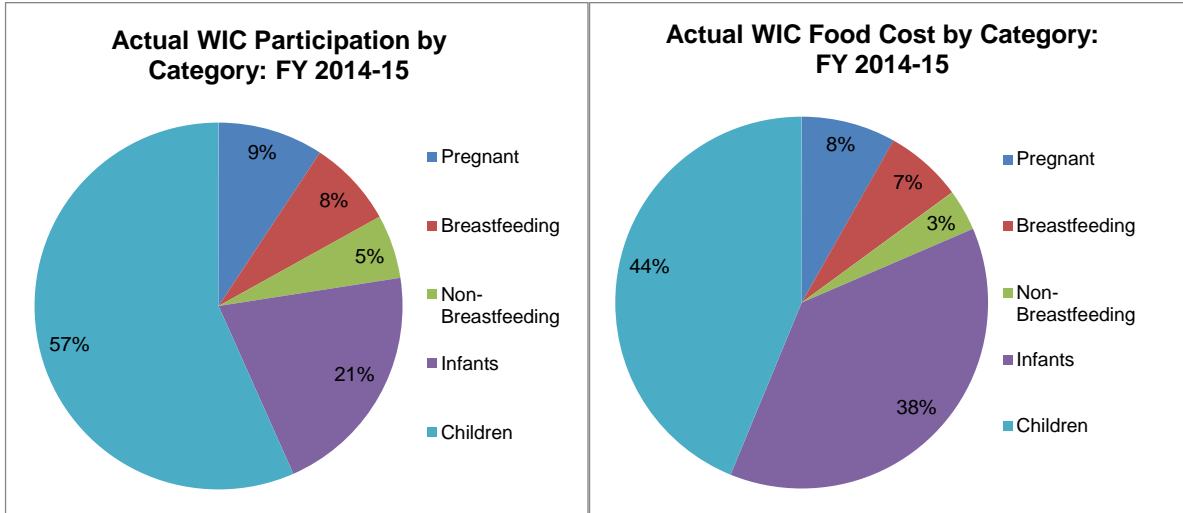
a. WIC Estimate and Program Overview

The California Department of Public Health/Women, Infants, and Children (CDPH/WIC) Division operates a \$1.3 billion program serving approximately 1.2 million of California's economically and nutritionally vulnerable residents each month. 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. The WIC Program is not an entitlement program; rather, the number of participants served is limited by the amount of discretionary grant appropriated annually by Congress.

CDPH/WIC provides nutrition services and food assistance to low-to-moderate income families for pregnant, breastfeeding, and non-breastfeeding women, infants, and children up to their fifth birthday. 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 \$29,471 for a family size of two in 2015). WIC Program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and vouchers for specific nutritious foods that are redeemable at retail food outlets throughout the state. The WIC Program is federally funded by the United States Department of Agriculture (USDA) under the federal Child Nutrition Act of 1966, as amended. Specific uses of WIC Program funds are required under federal laws and regulations, and CDPH must account for and report funds and expenditures on a monthly basis.

This Estimate projects food expenditures that include the following factors: participation, historical actual expenditures by the various participation categories, any regulatory changes that add allowable foods or augment food redemption values, and inflation. As began with the 2014 November Estimate, CDPH/WIC estimates cost per participant in this Estimate at the individual 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 pie charts on the next page display the distribution of participants and the distribution of food cost by participant category. Actual data from Fiscal Year (FY) 2014-15 is displayed in the charts. These proportions were used to generate the FY 2015-16 and FY 2016-17 Estimates; therefore, the distribution of participants and food cost per participant category in FY 2015-16 and FY 2016-17 are equivalent to FY 2014-15.



These charts show the largest participant category served is children. This is due to children being eligible for program benefits for the longest period of time (age 1 to 5th birthday), whereas the other participant categories are limited to no more than one year. Also, there may be more than one child per family participating in WIC. Infants comprise 21 percent of the participant population; however, they represent a disproportionately higher percent of the food cost (38 percent), primarily due to the higher cost of infant formula compared to the other supplemental foods provided by the WIC Program. The cost shares of the other categories are lower than their participation share, with the cost of the child category accounting for 44 percent of food costs despite its 57 percent participation share, and the other categories (pregnant, breastfeeding, and non-breastfeeding women) representing cost shares that closely align with their participation share.

b. Food Expenditures

1. Current Year

The CDPH/WIC 2015 Budget Act appropriation assumed food expenditures of \$1.063 billion and the 2016-17 Governor’s Budget proposal estimated \$995.7 million. This 2016 May Revision Estimate anticipates revised FY 2015-16 expenditures of \$975.5 million, which is a decrease of \$20.2 million or 2.03% compared to the 2016-17 Governor’s Budget. This is due to lower than projected participation levels.

CDPH/WIC’s revised FY 2015-16 food costs of \$975.5 million consist of federal food costs and the WIC Manufacturer Rebate Fund (Fund 3023). Federal food costs are \$757 million, a decrease of \$17 million compared to the 2016-17 Governor’s Budget, and Rebate Fund food costs are \$218 million, a decrease of \$3 million compared to the 2016-17 Governor’s Budget, due to lower than projected infant participation levels.

2. Budget Year

For FY 2016-17, CDPH/WIC estimates food expenditures will total \$992 million, which is a decrease of \$18 million or 1.78% compared to the 2016-17 Governor's Budget, or an increase of \$16.5 million from revised FY 2015-16 projected food expenditures, due to an anticipated increase in participation based on birth rate projections from the Department of Finance (DOF) Demographic Research Unit (DRU). Federal food costs are projected to be \$775 million, and WIC Manufacturer Rebate Fund food costs are projected to be \$217 million.

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 contract with local agencies for the direct services provided to WIC families (including 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 2015-16, the NSA budget and the anticipated expenditures for local administration are estimated at \$301 million, which is no change from the 2015 Budget Act or the 2016-17 Governor's Budget. State Operations expenditures are estimated at \$55.1 million, which is no change from the 2015 Budget Act or the 2016-17 Governor's Budget.

2. Budget Year

In FY 2016-17, there is no change to the local administration expenditure estimate of \$301 million from the 2015 Budget Act or the 2016-17 Governor's Budget. As indicated in the November 2015 Estimate, there is a total increase of \$6,289,000 in State Operations in FY 2016-17, which included the amounts for the following two BCP's: (1) \$5,776,000 for the eWIC Electronic Benefit Transfer (EBT) and Management Information System (MIS) Project, and (2) \$513,000 for Increasing the Enrollment of Children in WIC. Therefore, the State Operations expenditures are estimated at \$61.4 million, which is no change from the 2016-17 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 and WIC Manufacturer Rebate Funds are available to support projected expenditures.

EXPENDITURE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	2015 Budget Act	SFY 2015-16				SFY 2016-17			
		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget	
Local Assistance Expenditures	1,126,206,368	1,075,229,926	1,058,054,172	(17,175,754)	-1.60%	1,094,093,548	1,075,817,372	(18,276,176)	-1.67%
Food Expenditures (Food Grant)	825,339,368	774,362,926	757,187,172	(17,175,754)	-2.22%	793,226,548	774,950,372	(18,276,176)	-2.30%
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)	55,140,136	55,140,136	55,140,136	-	0.00%	61,429,198	61,429,198	-	0.00%

REVENUE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	2015 Budget Act	SFY 2015-16				SFY 2016-17			
		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget	
Total Available Resources	1,218,806,586	1,236,372,814	1,215,826,191	(20,546,623)	-1.66%	1,235,821,998	1,207,377,530	(28,444,468)	-2.30%
Food Grant	852,101,579	859,508,309	840,352,781	(19,155,528)	-2.23%	859,043,481	833,502,778	(25,540,703)	-2.97%
NSA Grant	366,705,007	376,864,505	375,473,410	(1,391,095)	-0.37%	376,778,517	373,874,752	(2,903,765)	-0.77%

EXPENDITURE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	2015 Budget Act	SFY 2015-16				SFY 2016-17			
		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget	
Local Assistance Expenditures	237,437,089	221,369,550	218,351,647	(3,017,903)	-1.36%	216,739,700	217,084,821	345,121	0.16%

REVENUE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	2015 Budget Act	SFY 2015-16				SFY 2016-17			
		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget	
Total Available Resources	237,437,089	221,369,550	218,351,647	(3,017,903)	-1.36%	216,739,700	217,084,821	345,121	0.16%

e. Expenditure Methodology/Key Drivers of Cost

Food expenditures are divided into five participant categories: (1) pregnant women, (2) breastfeeding women, (3) non-breastfeeding women, (4) infants, and (5) children. Each of these participant categories has specialized nutrition needs that influence food costs.

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

Breastfeeding women are eligible for benefits up to their infant's first birthday. Breastfeeding women receive an enhanced supplemental food package with foods high in protein, calcium, iron, vitamin A, and vitamin C to support increased caloric needs during breastfeeding.

Non-breastfeeding women are eligible for benefits up to six months after the birth of their infants. Non-breastfeeding women 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. A major goal of the WIC Program is to improve the nutritional status of infants. The WIC Program promotes breastfeeding as the optimal infant feeding choice, unless a medical condition exists that conflicts with breastfeeding. Breastfeeding provides many health, nutritional, economical, and emotional benefits to mother and baby. Research has also shown that breastfeeding reduces the risk of obesity during the life of the child. Infants may also receive supplemental foods that are rich in one or more of the nutrients protein, calcium, iron, vitamin A, and vitamin C to assist in meeting their nutritional needs during critical periods of growth and development.

Children are certified from one year of age up to age five. Children receive supplemental foods that are rich in one or more of the nutrients 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 needed to help meet their nutritional needs during critical periods of growth and development. The food package also provides foods lower in saturated fat to reduce the risk of childhood obesity.

1. Participation by Category

Total participation is determined as a sum of forecasted participation in each category. The five participation categories are forecasted separately, based on:

- The actual participation numbers during the prior year;
- The five-year trend in participation (average of percentage changes over the past five years); and
- The forecasted number of births obtained from the DOF DRU (applied for all categories except children).

For each category, the five-year trend in actual participation is applied to the prior year category total 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). The DOF DRU projects births to increase by 0.74% in FY 2015-2016.

For Pregnant, Breastfeeding, Non-Breastfeeding Women, as well as Infant Categories:

Forecasted category participation in FY = Actual participation in prior FY + Expected change in participation based on five-year trend + 60 percent of the projected change in number of births for fiscal year.

For Child Category:

Forecasted category participation in FY = Actual participation in prior FY + Expected change in participation based on five-year trend.

For FY 2016-17 forecasts, the forecasted totals for FY 2015-16 are used because actuals are not currently available, and a projected 0.74% increase in birth rates is continued for FY 2016-17. An additional 11,970 monthly child participants for FY-2016-17 were added as a forecasted result of the *Increasing the Enrollment of Children in WIC BCP*.

2. Food Costs per Participant Category

Food expenditures for each participant category are divided by the number of participants in that category to determine the average food cost per participant. The average food cost per participant is then adjusted for inflation to determine the forecasted average cost per participant.

Historical expenditures and average per participant food costs for FY 2014-15 and July through October 2015 in FY 2015-16 were used to update projections for FY 2015-16 and FY 2016-17 food costs.

The average cost per participant is adjusted for each participant category using the Consumer Price Index (CPI) projections for Food at Home from the DOF Economic Research Unit (ERU) to account for fluctuations in food prices. The updated DOF ERU projected CPI inflation rate for Food at Home in FY 2015-16 is 1.83%, and is 3.40% for FY 2016-17 (see Appendix A).

Average food cost per participant category = Total food costs by category ÷ Total participation by category.

*Forecasted average cost per participant category = Average food cost per participant * Inflation for Food at Home (DOF ERU).*

3. Total Food Costs

*Total food cost by participant category = projected participation by participant category * forecasted average cost per participant.*

Total food costs = sum of five participant category costs (pregnant women, breastfeeding women, non-breastfeeding women, infants, and children).

f. Food Expenditure Projections (See Appendices B1-B5)

The following chart details CDPH/WIC 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	2015 Budget Act	SFY 2015-16			SFY 2016-17				
		2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget	2016-17 Governor's Budget	2016 May Revision	Change from 2016-17 Governor's Budget		
Pregnant	86,718,763	78,809,673	75,790,416	(3,019,257)	-3.83%	78,089,425	75,577,044	(2,512,381)	-3.22%
Breastfeeding	70,000,534	65,086,826	64,197,619	(889,207)	-1.37%	65,853,022	64,788,436	(1,064,586)	-1.62%
Non-Breastfeeding	37,259,030	33,675,640	33,468,556	(207,084)	-0.61%	33,676,254	33,084,541	(591,713)	-1.76%
Infants	388,126,175	361,674,084	356,865,280	(4,808,804)	-1.33%	360,277,008	356,214,597	(4,062,411)	-1.13%
Children	448,687,512	420,470,207	411,506,322	(8,963,885)	-2.13%	428,760,135	419,388,850	(9,371,285)	-2.19%
Yogurt	7,945,432	4,414,130	2,696,874	(1,717,256)	-38.90%	10,593,912	10,787,496	193,584	1.83%
Cash Value Voucher Increase	-	2,600,000	2,600,000	-	100.00%	3,300,000	3,300,000	-	0.00%
Reserve	24,039,011	29,001,917	28,413,752	(588,165)	-2.03%	29,416,493	28,894,229	(522,264)	-1.78%
Total Food Expenditures	1,062,776,457	995,732,476	975,538,819	(20,193,657)	-2.03%	1,009,966,249	992,035,193	(17,931,056)	-1.78%
<i>Food Expenditures Paid from Rebate Funds</i>	<i>237,437,089</i>	<i>221,369,550</i>	<i>218,351,647</i>	<i>(3,017,903)</i>	<i>-1.36%</i>	<i>216,739,700</i>	<i>217,084,821</i>	<i>345,121</i>	<i>0.16%</i>
<i>Food Expenditures Paid from Federal Funds</i>	<i>825,339,368</i>	<i>774,362,926</i>	<i>757,187,172</i>	<i>(17,175,754)</i>	<i>-2.22%</i>	<i>793,226,548</i>	<i>774,950,372</i>	<i>(18,276,176)</i>	<i>-2.30%</i>
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)	1,126,206,368	1,075,229,926	1,058,054,172	(17,175,754)	-1.60%	1,094,093,548	1,075,817,372	(18,276,176)	-1.67%
State Operations (Federal NSA)	55,140,136	55,140,136	55,140,136	-	0.00%	61,429,198	61,429,198	-	0.00%

Pregnant Expenditure Projections

CDPH/WIC is revising its current year food expenditure estimate to total \$75,790,416, a decrease of \$3,019,257 or 3.83% compared to FY 2015-16 proposed expenditures of \$78,809,673 as shown in the 2016-17 Governor's Budget. Food expenditures are estimated to total \$75,577,044 for FY 2016-17, a decrease of \$2,512,381 or 3.22% compared to the 2016-17 Governor's Budget amount of \$78,089,425.

Breastfeeding Expenditure Projections

CDPH/WIC is revising its current year food expenditure estimate to total \$64,197,619, a decrease of \$889,207 or 1.37% compared to FY 2015-16 proposed expenditures of \$65,086,826 as shown in the 2016-17 Governor's Budget. Food expenditures are estimated to total \$64,788,436 for FY 2016-17, a decrease of \$1,064,586 or 1.62% compared to the 2016-17 Governor's Budget amount of \$65,853,022.

Non-Breastfeeding Expenditure Projections

CDPH/WIC is revising its current year food expenditure estimate to total \$33,468,556, a decrease of \$207,084 or 0.61% compared to FY 2015-16 proposed expenditures of

\$33,675,640 as shown in the 2016-17 Governor's Budget. Food expenditures are estimated to total \$33,084,541 for FY 2016-17, a decrease of \$591,713 or 1.76% compared to the 2016-17 Governor's Budget amount of \$33,676,254.

Infant Expenditure Projections

CDPH/WIC is revising its current year food expenditure estimate to total \$356,865,280, a decrease of \$4,808,804 or 1.33% compared to FY 2015-16 proposed expenditures of \$361,674,084 as shown in the 2016-17 Governor's Budget. Food expenditures are estimated to total \$356,214,597 for FY 2016-17, a decrease of \$4,062,411 or 1.13% compared to the proposed 2016-17 Governor's Budget amount of \$360,277,008.

Children Expenditure Projections

CDPH/WIC is revising its current year food expenditure estimate to total \$411,506,322, a decrease of \$8,963,885 or 2.13% compared to FY 2015-16 proposed expenditures of \$420,470,207 as shown in the 2016-17 Governor's Budget. Food expenditures are estimated to total \$419,388,850 for FY 2016-17, a decrease of \$9,371,285 or 2.19% compared to the 2016-17 Governor's Budget amount of \$428,760,135.

Yogurt to Replace Quart of Milk

The final WIC Program food package regulations, published by the USDA on March 4, 2014, expanded the options under the milk and milk substitutions category to include yogurt for the packages that include a quart of milk in addition to gallons of milk. CDPH/WIC added yogurt as an allowable milk substitution for the quart of milk in March 2016 (to coincide with the next revision of the WIC Authorized Shopping Guide). Yogurt will replace the quart of milk in nearly all packages, except for the packages in which the participant elects to receive all fluid milk (no quarts are currently issued in these packages) and infant food packages. Packages that only include gallons of milk will not have the yogurt substitution. Approximately 78 Food Instruments contain the quart of milk in addition to the gallons of milk, and about 966,622 Food Instruments are issued to women and children each month. Using the difference in price between a quart of milk versus a quart of yogurt, CDPH/WIC estimates adding yogurt will result in a projected cost increase of \$898,958 per month, or \$2.7 million in FY 2015-16, and \$10.8 million in 2016-17 and annually thereafter, not inflated.

Cash Value Voucher Increase

On June 25, 2015, the USDA issued WIC Policy Memorandum #2015-4 regarding an increase to the monthly value of cash value vouchers for fruits and vegetables for women participants. The memorandum increased the cash value benefit issued to all women participants from \$10 to \$11, and women that breastfeed multiple infants from \$15 to \$16.50. Women participants represent approximately 23 percent of total participant issued benefits. CDPH/WIC implemented this change, as required, on

October 1, 2015 and estimates the increase to be \$2.6 million in FY 2015-16, and \$3.3 million in 2016-17 and annually thereafter.

Prudent Reserve for Food Expenditures

A prudent 3% reserve request for food expenditures is revised for current year to \$28,413,752, which is a decrease of \$588,165 or 2.03% compared to the reserve of \$29,001,917 for FY 2015-16 as shown in the 2016-17 Governor’s Budget. The reserve request for FY 2016-17 is revised to \$28,894,229; this is a decrease of \$522,264 or 1.78% compared to the 2016-17 Governor’s Budget amount of \$29,416,493.

The USDA allows states a 3% prudent reserve for food inflation and for any unexpected occurrences or natural disasters, such as a drought, fire, or earthquake, which could affect food prices more than any projected “normal” inflation.

Although food inflation factors and participation growth are considered when establishing the budget projection for food expenditures, there is the possibility that an unexpected increase in food inflation or unemployment could increase costs beyond the projections in this Estimate. In addition, this amount includes approximately \$3 million in allowable breast pump purchases that are projected to be made in each fiscal year using food funds.

II. FUND CONDITION STATEMENT

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 14-15 Actuals	SFY 15-16 Estimate	SFY 16-17 Estimate
BEGINNING BALANCE	171	116	230
Prior Year Adjustments	(5)	-	-
Adjusted Beginning Balance	166	116	230
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	36	90	90
4172240 Fines and Penalties - External - Other	8	12	-
4172500 Miscellaneous Revenue	227,617	218,364	217,097
Total Revenues, Transfers, and Other Adjustments	227,661	218,466	217,187
Total Resources	227,827	218,582	217,417
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	227,711	218,352	217,085
Total Expenditures and Expenditure Adjustments	227,711	218,352	217,085
FUND BALANCE	116	230	332

III. Future Fiscal Considerations and New, Discontinued, Existing, Unchanged Assumptions/Premises

1. Future Fiscal Considerations

a. Extending Child Eligibility to Age Six

Background: The United States Senate draft bill “Improving Child Nutrition Integrity and Access Act of 2016” was approved by the Senate Committee on Agriculture on January 20, 2016. This bill includes provisions from the “Wise Investment in our Children Act,” such as giving states the option to extend the maximum age of eligibility for children participating in the WIC Program from five years to six years, if not enrolled in kindergarten.

The intent of this legislation, if there are sufficient funds, is to cover the nutritional gap for children who have reached the age of maturity in the WIC Program, but who have not yet entered school to be eligible for school meals. Passage of this legislation will give states the option to further ensure continuous support for children’s nutritional needs until they are eligible for school meals.

Description of Change: This change could impact approximately one-quarter of our child participants who could have up to an additional year of program eligibility.

Discretionary: Yes

Reason for Adjustment/ Change:

- Passage of Federal legislation will revise basic program eligibility requirements.
- Positive health impact on young California children at nutritional risk.

Fiscal Impact (Range) and Fund Source(s): On-going maximum annual cost of approximately \$104 million to Federal Trust Fund (0890). WIC will provide an update on this issue in the 2016 November Estimate.

2. New Assumptions/ Premises

There are no New Assumptions/Premises at this time.

3. Discontinued Assumptions/Premises

There are no Discontinued Assumptions/Premises at this time.

4. Existing (Significantly Changed) Assumptions/Premises

a. Yogurt Allowable as a Replacement Milk

Background: On March 4, 2014, the USDA published revised WIC food package regulations entitled, "Special Supplemental Nutrition Program for Women, Infants and Children (WIC): Revisions in the WIC Food Packages; Final Rule." The final rule expanded the options under the milk and milk substitutions category to include yogurt. CDPH/WIC added yogurt as an allowable milk substitution for the quart of milk on the WIC Authorized Food List and Shopping Guide, effective March 28, 2016.

Description of Change: The date of implementing the issuance of yogurt instead of the quart of milk has changed from February 2016 to March 28, 2016. Analysis shows that the addition of yogurt may result in CDPH/WIC spending more food dollars because a quart of yogurt (average cost of \$2.88 per quart) is more expensive than a quart of milk (average cost of \$1.95 per quart). Yogurt replaces the quart of milk, and therefore, will be included in nearly every food package. Approximately 78 Food Instruments contain the quart of milk in addition to the gallons of milk, and about 966,622 Food Instruments are issued to women or children each month. Using the difference in price between a quart of milk versus a quart of yogurt, CDPH/WIC estimates that adding yogurt will result in a projected cost increase of \$898,958 per month. USDA is aware of the additional cost associated with issuing yogurt instead of the quart of milk. CDPH/WIC plans to minimize the fiscal impact of adding yogurt through limiting factors, such as disallowing the following: higher-cost package sizes, organic yogurt, and Greek yogurt; these limiting factors are reflected in the cost estimate above.

Discretionary: Yes.

Reason for Adjustment/ Change:

- Final USDA food package regulations allow states to offer one quart of yogurt in lieu of one quart of milk.
- California is opting to offer yogurt as an allowable option for participants to purchase.
- The date of implementing the issuance of yogurt instead of the quart of milk has changed from February 2016 to March 28, 2016.

Fiscal Impact (Range) and Fund Source(s): In FY 2015-16 there will be an increase of \$2.7 million, and in FY 2016-17 and on-going, \$10.8 million annually to the Federal Trust Fund (0890).

5. Unchanged Assumptions/Premises

Forecasting of Participation Levels and Food Costs

There is no change in the assumption from the 2015 November Estimate. CDPH/WIC will continue to use the five-year participation trend (in terms of percentage change) for each participant category and will make adjustments to account for DOF-forecasted changes in births and inflation rates.

Cash Value Voucher Increase

The Cash Value Voucher increase from \$10 to \$11 for pregnant, postpartum, and breastfeeding women participants, and from \$15 to \$16.50 for women participants breastfeeding multiplies, was implemented on October 1, 2015. This assumption and fiscal impact remain the same as presented in the 2015 November Estimate.

Budget Change Proposal FH-01: eWIC EBT/MIS Project

CDPH/WIC is replacing paper checks with an electronic debit card. To effectuate this change, CDPH/WIC must replace its current MIS with a USDA approved, EBT-ready MIS. The 2016-17 Governor's Budget includes a BCP requesting \$5,776,000 in federal fund authority for CDPH/WIC to work with OSI to solicit bids via a Request for Proposal (RFP) and contract for the services of Design, Development and Implementation contractor. This assumption and fiscal impact remain the same as presented in the 2015 November Estimate.

Budget Change Proposal FH-04: Increasing the Enrollment of Children in WIC

CDPH/WIC and the California Department of Social Services have been evaluating ways to work together to increase the enrollment of children in both WIC and CalFresh. The 2016-17 Governor's Budget includes a CDPH/WIC BCP requesting \$513,000 federal fund authority in FY 2016-17 for state operations, and \$7,217,910 in FY 2016-17 for food, to increase child participation in the WIC program by 5%. This assumption and fiscal impact remain the same as presented in the 2015 November Estimate.

IV. APPENDICES

APPENDIX A: Rationale for Participation and Expenditure Projections

Participation in the WIC Program in California is one of the drivers of food costs. Total estimated FY 2015-16 participation is calculated as a sum of forecasted participation in each of the five participant categories.

Forecasted participant category totals in this Estimate are derived from actual WIC participation in FY 2014-15, plus the expected change in participation based on the trend for the prior five years, plus (all categories except children) 60 percent of the change in births (according to DOF DRU projections for FY 2015-16). The forecasts are adjusted with available actual participation numbers for July 2015 through January 2016.

For FY 2016-17, category totals are forecasted based on the FY 2015-16 forecast, the expected change in participation based on the trend for the prior five years, and adjusted by 60 percent of the change in births (according to DOF DRU projections for FY 2015-16 assuming the same trend, except for the children category, which does not receive a birth rate adjustment).

Federal policy changes and demographic trends may impact the estimates. Federal fiscal year 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 this decline, including economic factors, demographic shifts, immigration trends, and technology trends that are influences outside the control of CDPH/WIC. CDPH/WIC thinks a decrease in California birth and unemployment rates may have decreased the number of eligible persons. However, changes in the birth rate and other demographic and economic factors may increase or decrease the number of persons eligible for benefits.

The most recent data (for 2013, released in December 2015) shows California had the highest coverage of eligible persons of all state WIC Programs, and was second nationally behind Puerto Rico. CDPH/WIC is currently serving 76 percent of eligible Californians, according to USDA/Food and Nutrition Services estimates; the national average is 60 percent.

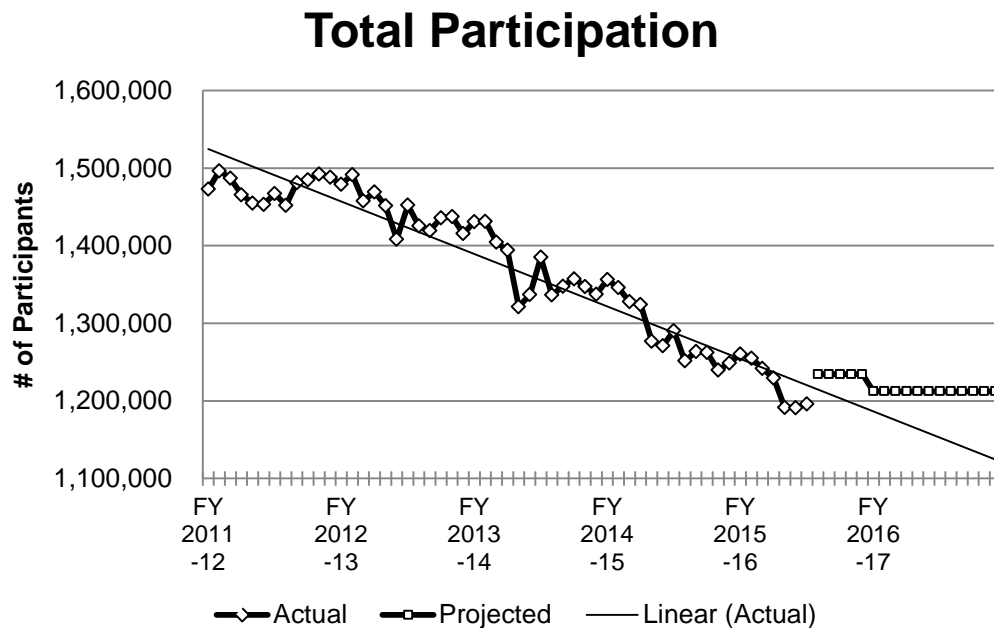
Total Participation

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. The currently available DOF DRU figures forecast a 0.74% increase in births for FY 2015-16.

For FY 2014-15, monthly average participation was 1,288,108. For July 2015 and August 2015, the monthly average participation was 1,223,462. CDPH/WIC estimates

FY 2015-16 participation will continue to decrease, but at a slower rate of 4.67% (compared to 5.97% in FY 2014-15), and will decrease by 1.28% in FY 2016-17. The overall estimated monthly average is 1,228,011 participants per month for FY 2015-16, and 1,212,328 for FY 2016-17.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for FY 2015-16, which includes seven months of updated actual participation numbers for July 2015 through January 2016.



Total Food Expenditures

CDPH/WIC estimates current year food expenditures to total \$975,538,819, which is a decrease of \$20,193,657 or 2.03% compared to the 2016-17 Governor’s Budget amount of \$995,732,476. This percentage change is reflective of decreased participation of 2.43%, offset by increased food inflation of 1.83%. FY 2016-17 food expenditures are estimated at \$992,035,193, a decrease of \$17,931,055 or 1.78% compared to \$1,009,966,248 in the 2016-17 Governor’s Budget. This percentage change is reflective of decreased participation of 2.44%, mitigated by increased food inflation of 3.40% and increased child participation that is expected to result from the collaboration with CalFresh.

Each participant category food package contains a combination of nutritious staple foods and is therefore subject to fluctuations in market food prices over time. Food expenditures have been determined based on participant categories. Food costs per participant have remained consistent with food inflation over time.

Inflation

The food cost projection per participant category considers the DOF ERU projected inflation rate for Food at Home. The 2015 May Revision Estimate for FY 2014-15 projected a 3.21% inflation rate for CDPH/WIC food costs using DOF ERU projected CPI for Food at Home due to drought impact on food costs in California. Actual reported inflation from DOF ERU for FY 2014-15 showed a 3.18% inflation rate, which is very close to the projection CDPH/WIC used. Based on DOF ERU inflation projections for Food at Home, CDPH/WIC food cost estimates assume a 1.83% inflation rate in FY 2015-16 and a 3.40% inflation rate in FY 2016-17.

Below is a chart summarizing total actual food cost expenditures for FY 2014-15 and food cost projections for the current and budget years by participant category.

Summary Chart of Budget Estimate Food Cost Projections

Participant Category	2014-15 Actual Participation and Costs			2015-16 Projections			2016-17 Projections		
	Average Annual Monthly Participation	Actual Cost/PPT*	Total Annual Actual Cost	Average Annual Monthly Participation	Cost/PPT x 1.0183*	Annual Cost Projection	Average Annual Monthly Participation	Cost/PPT x 1.0340	Annual Cost Projection
Pregnant	119,430	\$ 55.31	\$ 79,268,076	112,422	\$ 56.18	\$ 75,790,416	109,551	\$ 57.49	\$ 75,577,044
Breastfeeding	98,527	\$ 55.25	\$ 65,323,404	95,040	\$ 56.29	\$ 64,197,619	93,717	\$ 57.61	\$ 64,788,436
Non-Breastfeeding	72,492	\$ 40.00	\$ 34,796,160	68,645	\$ 40.63	\$ 33,468,556	66,307	\$ 41.58	\$ 33,084,541
Infants	267,851	\$ 113.72	\$ 365,520,192	256,745	\$ 115.83	\$ 356,865,280	250,418	\$ 118.54	\$ 356,214,597
Children	729,808	\$ 48.46	\$ 424,397,952	695,159	\$ 49.33	\$ 411,506,322	692,335	\$ 50.48	\$ 419,388,850
Yogurt (Revised Assumption)			\$ -			\$ 2,696,874			\$ 10,787,496
Cash Value Voucher Increase (New Assumption)			\$ -			\$ 2,600,000			\$ 3,300,000
3% Reserve						\$ 28,413,752			\$ 28,894,229
Subtotal	1,288,108		\$ 969,305,784	1,228,011		\$ 975,538,819	1,212,328		\$ 992,035,193
Food Expenditures charged to Rebate Funds			\$ (227,617,000)			\$ (218,351,647)			\$ (217,084,821)
Food Expenditures charged to Federal Funds			\$ 741,688,784			\$ 757,187,172			\$ 774,950,372
NSA			\$ 300,867,000			\$ 300,867,000			\$ 300,867,000
State Ops			\$ 54,887,066			\$ 55,140,136			\$ 61,429,198

*Actual Cost/PPT reported for July 2014 through October 2015.

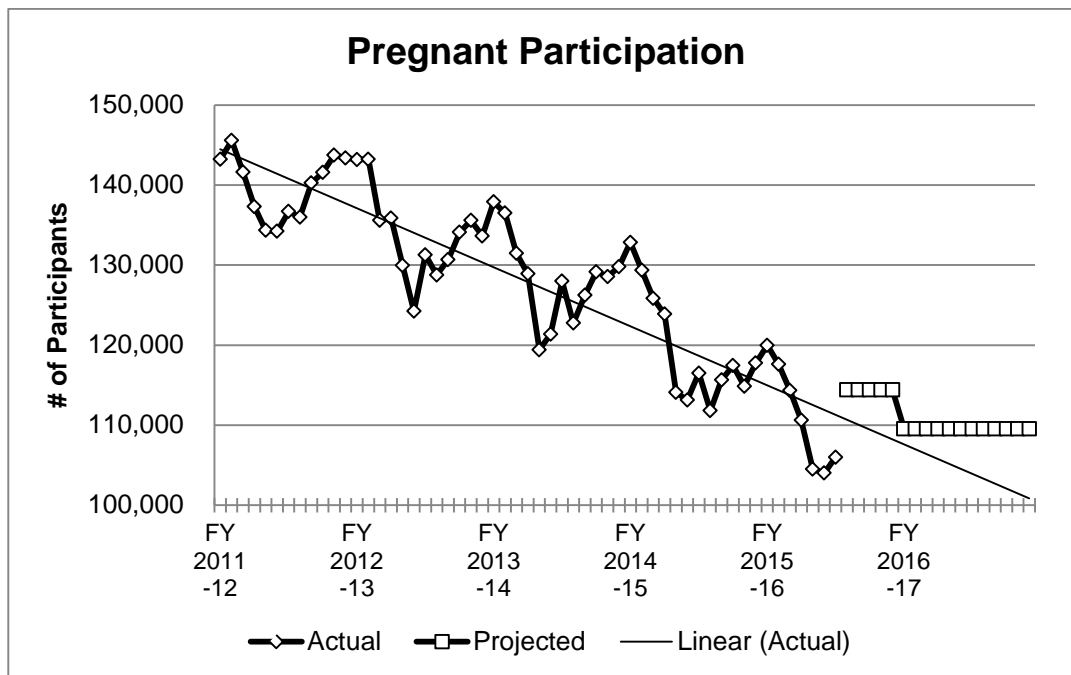
APPENDIX B: Participant and Food Cost Projections by Category

B1: Pregnant Participation and Expenditures

CDPH/WIC reaches out to pregnant women through a variety of community collaborations with the goal of enrolling them into the WIC Program as early in their pregnancy as possible. In addition to nutrition education and referrals to other important services, the WIC Program provides a food benefit. Authorized categories of food for pregnant women are dairy, breakfast cereal, juice, fruits and vegetables, whole grains, eggs, and beans or peanut butter. These foods provide essential nutrients to promote a healthy pregnancy and positive birth outcomes.

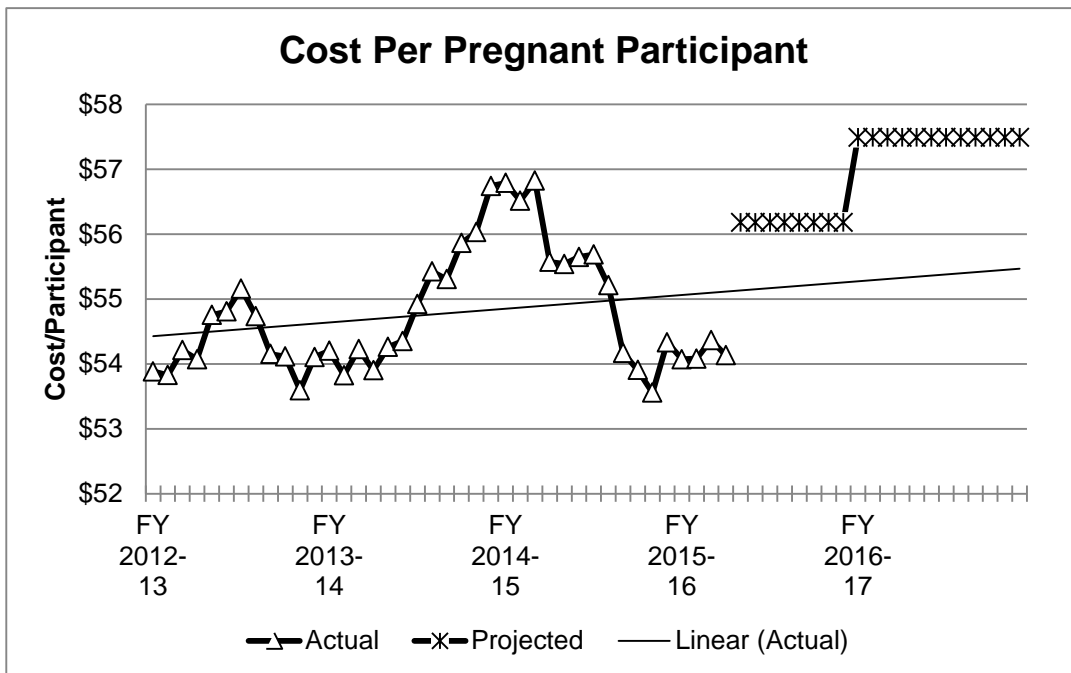
Pregnant Participation

CDPH/WIC estimates current year (FY 2015-16) pregnant participation will average 112,422 participants monthly. This figure represents a decrease of 7,008 or 5.87% of the actual FY 2014-15 average of 119,430 participants per month. Pregnant participation in FY 2016-17 is estimated to be 109,551 participants monthly, a decrease of 2,871 participants or 2.55% compared to the revised current year estimate.



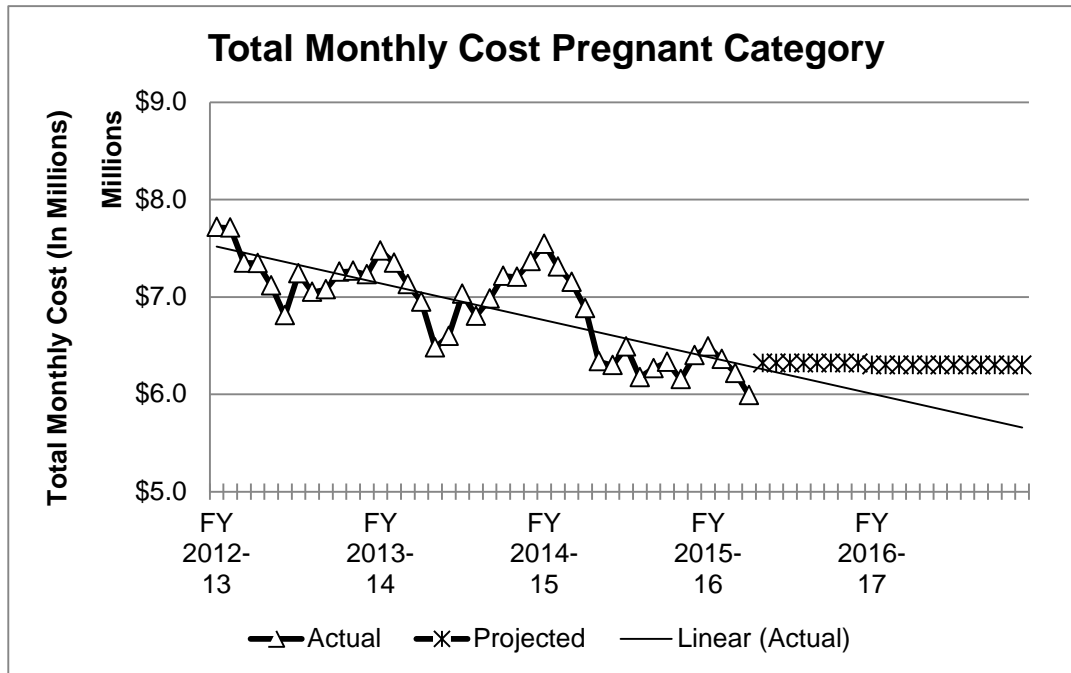
Costs per Pregnant Participant

For FY 2015-16, CDPH/WIC estimates average cost per pregnant participant will be \$56.18, which is an increase of \$0.87 or 1.57% compared to FY 2014-15 revised actual average cost per pregnant participant of \$55.31. For FY 2016-17, CDPH/WIC estimates average cost per pregnant participant will be \$57.49, which is an increase of \$1.31 or 2.33% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Expenditures for Pregnant Women

For FY 2015-16, CDPH/WIC estimates expenditures for pregnant women will total \$75,790,416 annually, which is a decrease of \$3,477,660 or 4.39% when compared to the FY 2014-15 revised actual amount of \$79,268,076. For FY 2016-17, CDPH/WIC estimates expenditures for pregnant women will total \$75,577,044 annually, which is a decrease of \$213,372 or 0.28% compared to the revised current year estimate amount of \$75,790,416



The table below shows the actual expenditures for FY 2014-15 and the projected expenditures for FY 2015-16 and FY 2016-17.

Participant Category Comparison: Pregnant								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	2015 November Estimate	2016 May Revision	Change from SFY 2014-15 Actuals		2016 May Revision	Change from SFY 2015 May Revision	
Average monthly participation*	119,430	117,109	112,422	-7,008	-5.87%	109,551	-2,871	-2.55%
Average cost per participant*	\$ 55.31	\$ 56.08	\$ 56.18	\$ 0.87	1.57%	\$ 57.49	\$ 1.31	2.33%
Annual Expenditures**	\$ 79,268,076	\$ 78,809,673	\$ 75,790,416	\$ (3,477,660)	-4.39%	\$ 75,577,044	\$ (213,372)	-0.28%

*These numbers were not used to calculate the 2016-17 Governor's Budget

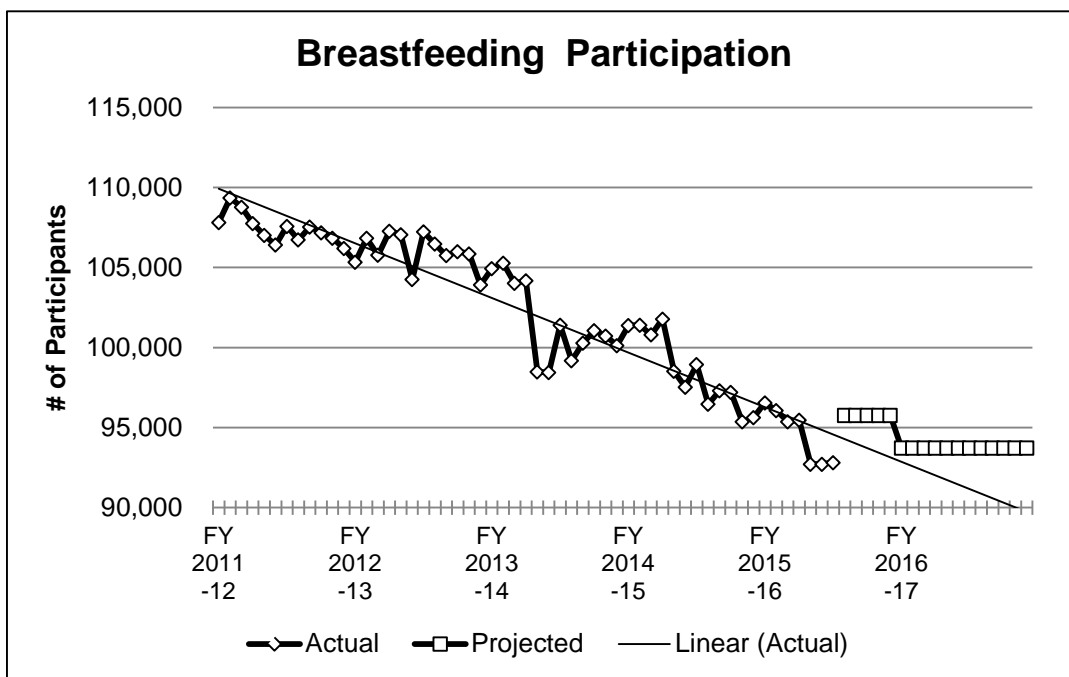
** Numbers rounded to the nearest dollar

B2: Breastfeeding Participation and Expenditures

This category includes women who breastfeed their infants with or without formula or infant food supplements. The WIC Program provides support to breastfeeding women up to one year after the birth of their infant by offering lactation support, peer counseling, and breast pumps when needed. Authorized categories of food for breastfeeding women are milk, cheese, breakfast cereal, juice, fruits and vegetables, whole grains, eggs, beans or peanut butter, and canned fish.

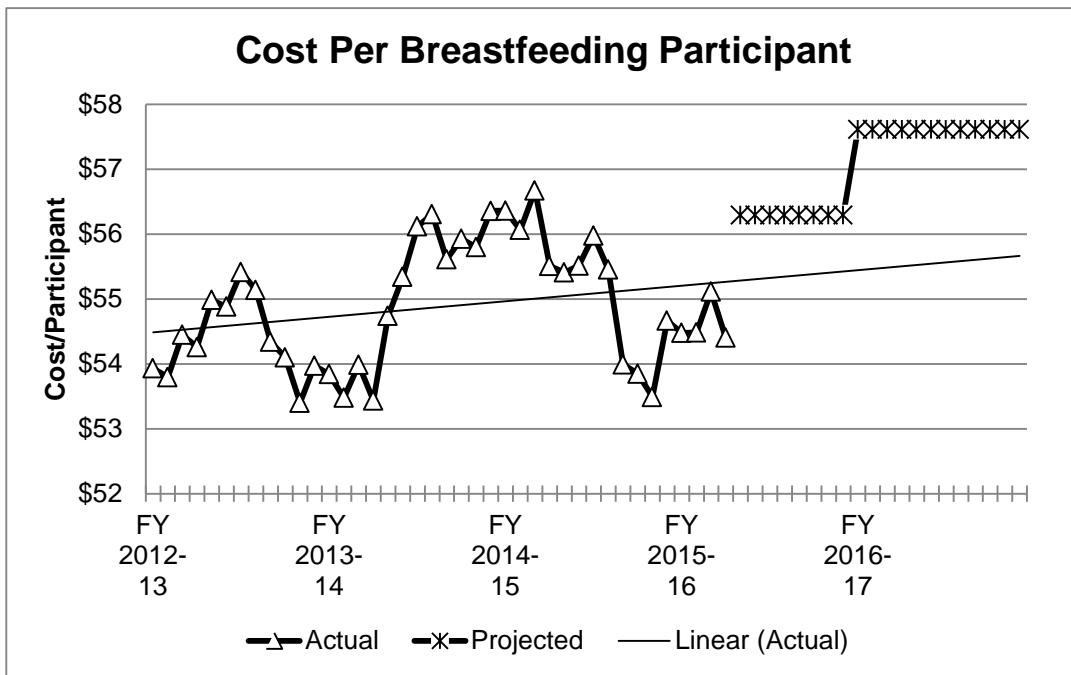
Breastfeeding Participation

CDPH/WIC estimates current year (FY 2015-16) breastfeeding participation will average 95,040 participants monthly. This figure represents a decrease of approximately 3,487 or 3.54% of the actual FY 2014-15 average of 98,527 participants per month. Breastfeeding participation in FY 2016-17 is estimated to be 93,717 participants monthly, a decrease of 1,323 participants or 1.39% compared to the revised current year estimate.



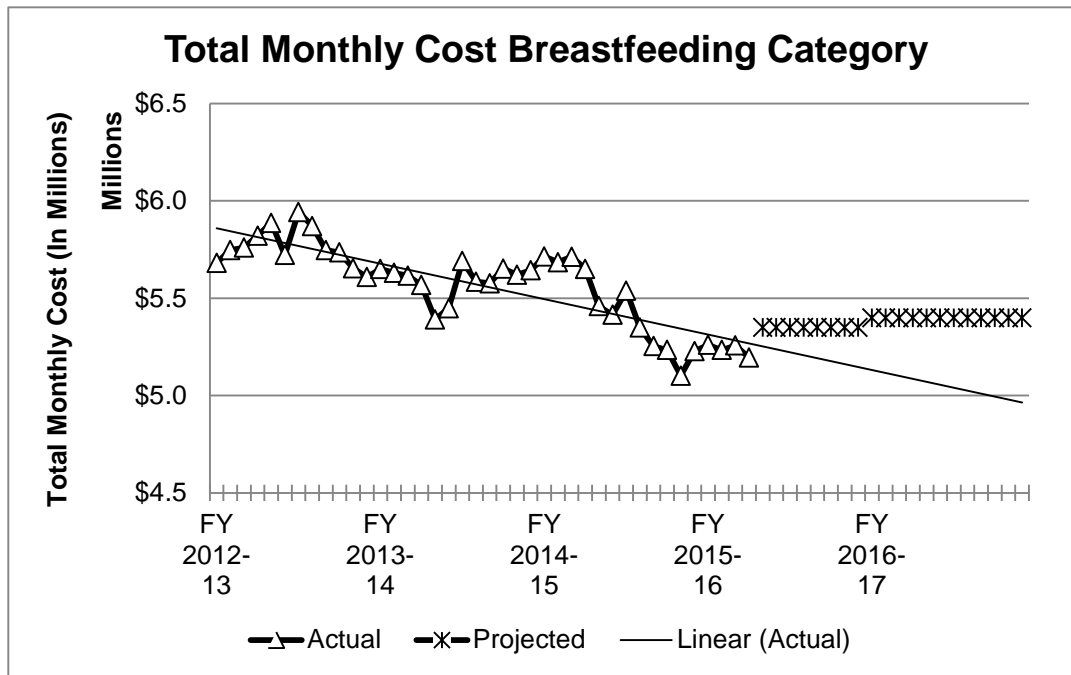
Costs per Breastfeeding Participant

For FY 2015-16, CDPH/WIC estimates average cost per breastfeeding participant will be \$56.29, which is an increase of \$1.04 or 1.88% compared to the revised FY 2014-15 actual average cost per breastfeeding participant of \$55.25. For FY 2016-17, CDPH/WIC estimates average cost per breastfeeding participant will be \$57.61, which is an increase of \$1.32 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Breastfeeding Expenditures

For FY 2015-16, CDPH/WIC estimates breastfeeding expenditures will total \$64,197,619 annually, which is a decrease of \$1,125,785 or 1.72% when compared to the FY 2014-15 revised actual amount of \$65,323,404. For FY 2016-17, CDPH/WIC estimates breastfeeding expenditures will total \$ 64,788,436 annually, which is an increase of \$590,817 or 0.92% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2014-15 and the projected expenditures for FY 2015-16 and FY 2016-17.

Participant Category Comparison: Breastfeeding								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	2015 November Estimate	2016 May Revision	Change from SFY 2014-15 Actuals		2016 May Revision	Change from SFY 2015 May Revision	
Average monthly participation*	98,527	96,890	95,040	-3,487	-3.54%	93,717	-1,323	-1.39%
Average cost per participant*	\$ 55.25	\$ 55.98	\$ 56.29	\$ 1.04	1.88%	\$ 57.61	\$ 1.32	2.34%
Annual Expenditures**	\$ 65,323,404	\$ 65,086,826	\$ 64,197,619	\$ (1,125,785)	-1.72%	\$ 64,788,436	\$ 590,817	0.92%

*These numbers were not used to calculate the 2016-17 Governor's Budget

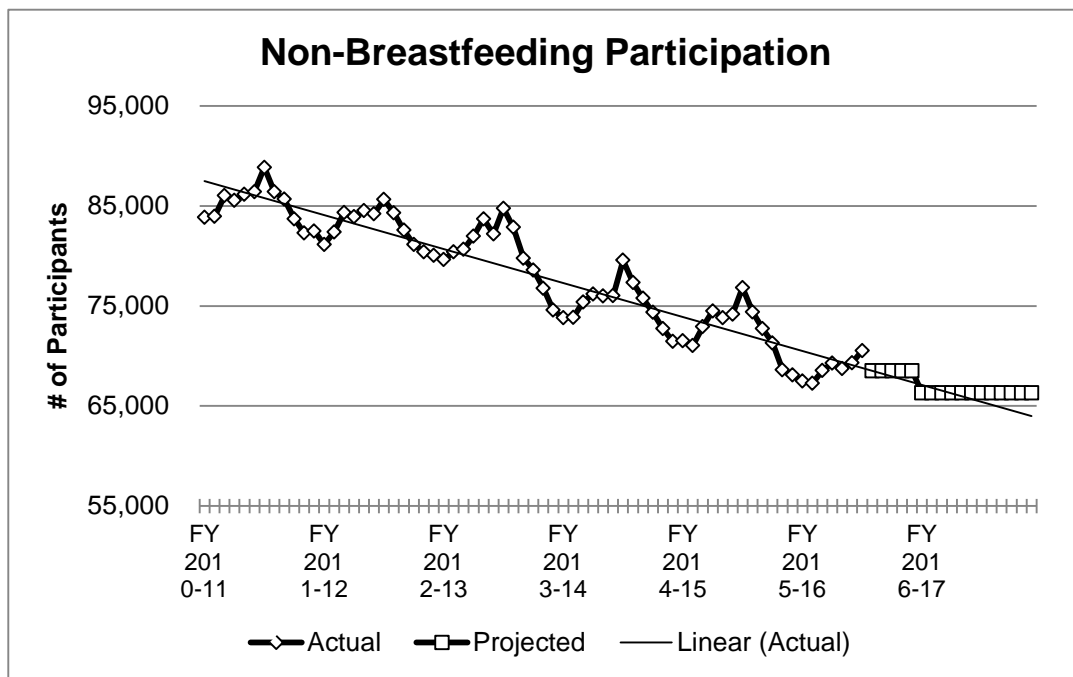
** Numbers rounded to the nearest dollar

B3: Non-Breastfeeding Participation and Expenditures

Women who do not breastfeed are eligible for WIC Program services for up to six months postpartum. The authorized categories of food for non-breastfeeding postpartum women are milk, breakfast cereal, juice, fruits and vegetables, eggs, and beans or peanut butter.

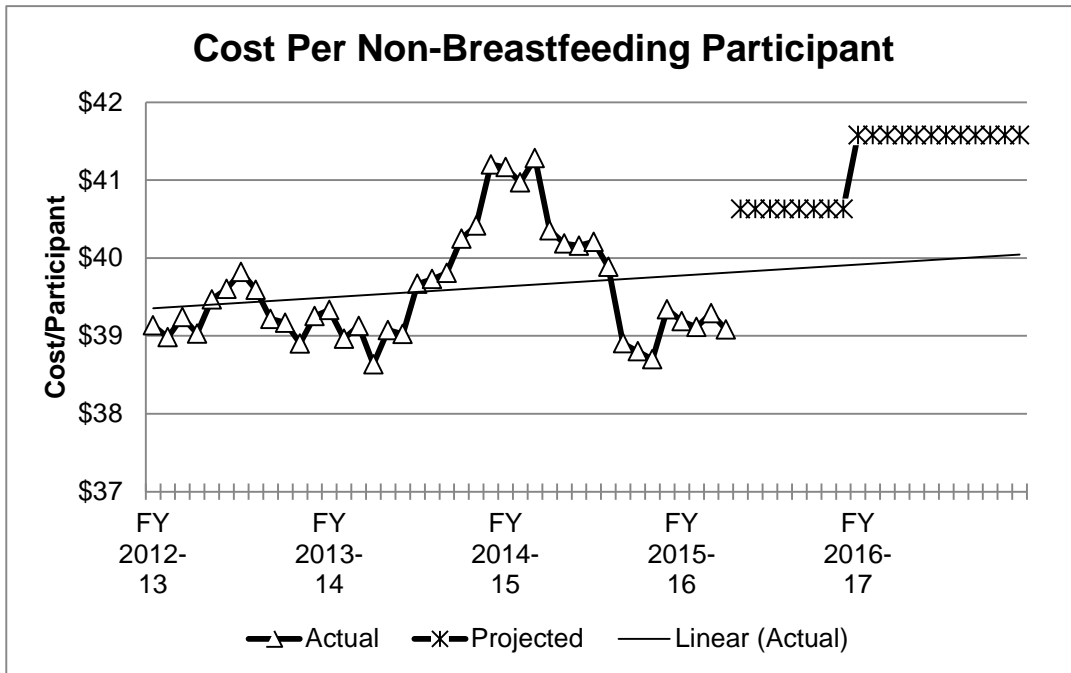
Non-Breastfeeding Participation

CDPH/WIC estimates current year (FY 2015-16) non-breastfeeding participation will average 68,645 participants monthly. This figure represents a decrease of approximately 3,847 or 5.31% of the actual FY 2014-15 average of 72,492 participants per month. Non-breastfeeding participation in FY 2016-17 is estimated to be 66,307 participants monthly, a decrease of 2,338 or 3.41% compared to the current year estimate.



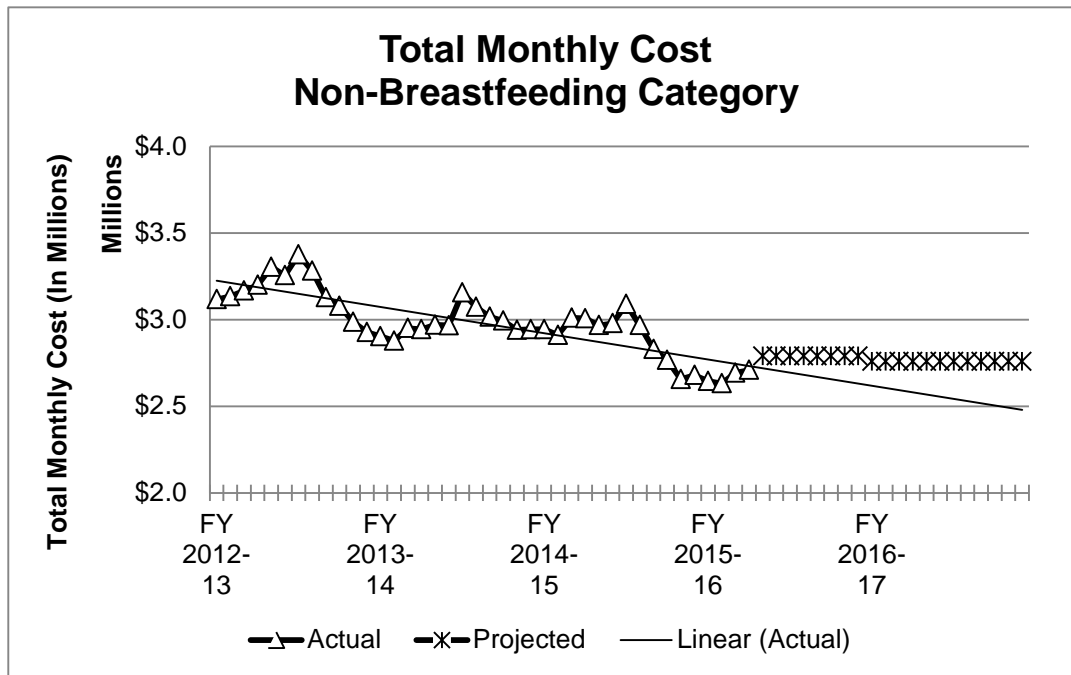
Costs per Non-Breastfeeding Participant

For FY 2015-16, CDPH/WIC estimates average cost per non-breastfeeding participant will be \$40.63, which is an increase of \$0.63 or 1.57% compared to the revised FY 2014-15 actual average cost per non-breastfeeding participant of \$40.00. For FY 2016-17, CDPH/WIC estimates average cost per non-breastfeeding participant will be \$41.58, which is an increase of \$0.95 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Non-Breastfeeding Expenditures

For FY 2015-16, CDPH/WIC estimates non-breastfeeding expenditures will total \$33,468,556 annually, which is an annual decrease of \$1,327,604 or 3.82% compared to the revised FY 2014-15 actual amount of \$34,796,160. For FY 2016-17, CDPH/WIC estimates non-breastfeeding expenditures will total \$33,084,541 annually, which is a decrease of \$384,015 or 1.15% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2014-15 and the projected expenditures for FY 2015-16 and FY 2016-17.

Participant Category Comparison: Non-Breastfeeding								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	2015 November Estimate	2016 May Revision	Change from SFY 2014-15 Actuals		2016 May Revision	Change from SFY 2015 May Revision	
Average monthly participation*	72,492	69,206	68,645	-3,847	-5.31%	66,307	-2,338	-3.41%
Average cost per participant*	\$ 40.00	\$ 40.55	\$ 40.63	\$ 0.63	1.57%	\$ 41.58	\$ 0.95	2.34%
Annual Expenditures**	\$ 34,796,160	\$ 33,675,640	\$ 33,468,556	\$ (1,327,604)	-3.82%	\$ 33,084,541	\$ (384,015)	-1.15%

*These numbers were not used to calculate the 2016-17 Governor's Budget

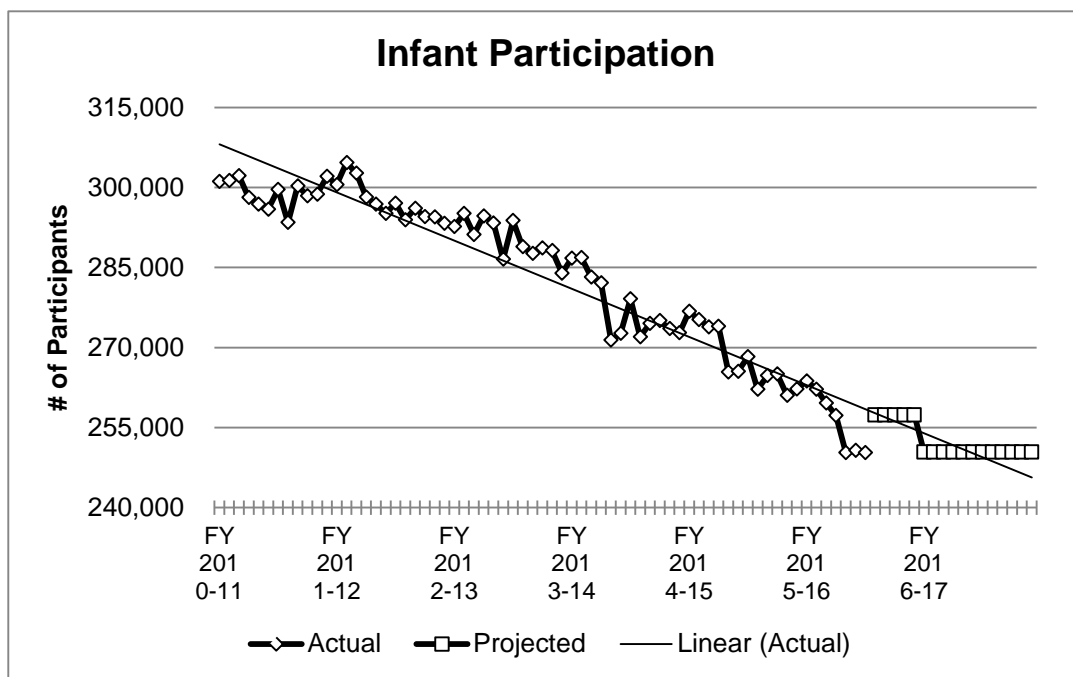
** Numbers rounded to the nearest dollar

B4: Infant Participation and Expenditures

This category includes infants up to one year of age, who may be breastfed and/or receive other infant foods. Mothers and caregivers of infant participants receive nutrition education specific to infants, such as baby behaviors and feeding cues and introduction to solid foods. The WIC Program documents immunizations received and refers participants to health care providers and other services. The authorized categories of foods for infants are infant formula, infant fruits and vegetables, infant meat, and infant cereal.

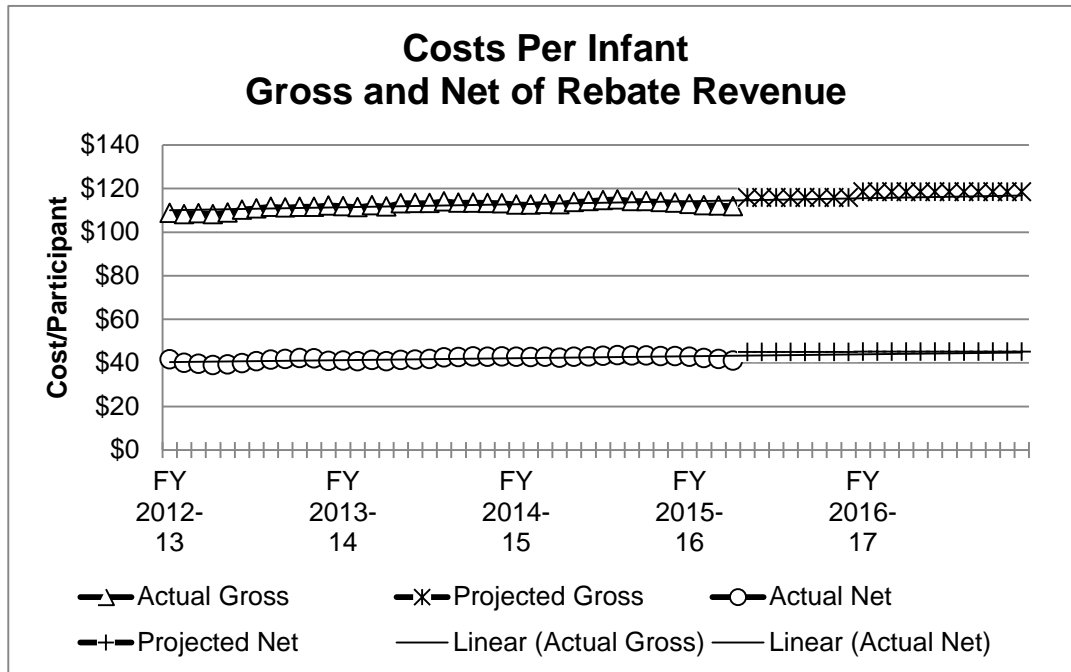
Infant Participation

CDPH/WIC estimates current year (FY 2015-16) infant participation will average 256,745 participants monthly. This figure represents a decrease of approximately 11,106 or 4.15% of the actual FY 2014-15 average of 267,851 participants per month. Infant participation in FY 2016-17 is estimated to be 250,418 participants monthly, a decrease of 6,327 or 2.46% compared to the current year estimate.



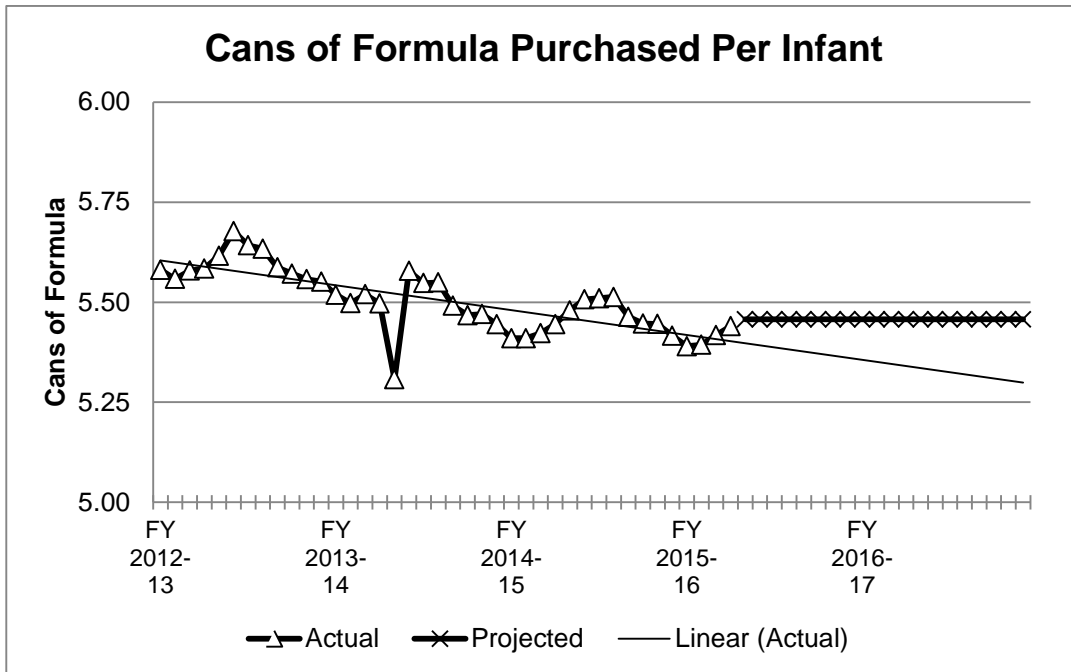
Cost per Infant Participant

For FY 2015-16, CDPH/WIC estimates average cost per infant participant will be \$115.83, which does not reflect the infant formula rebate amount. This is an increase of \$2.11 or 1.86% compared to the revised FY 2014-15 actual average cost per infant participant of \$113.72. For FY 2016-17, CDPH/WIC estimates average cost per infant participant will be \$118.54, which is an increase of \$2.71 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Infant Formula Revenue

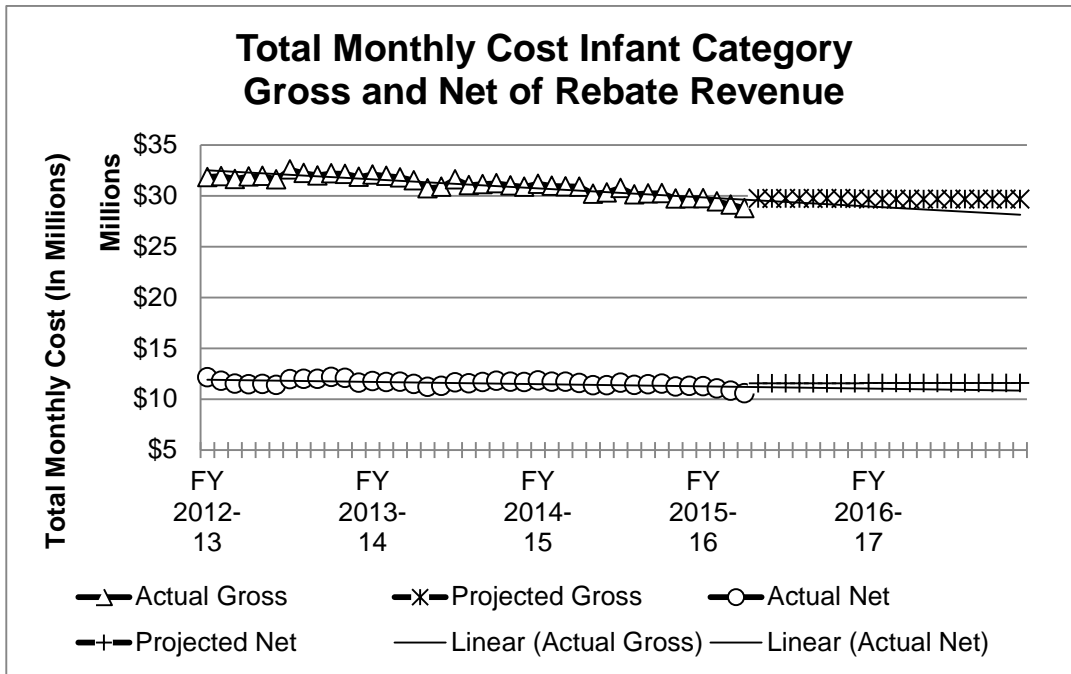
Annual infant formula rebate revenue is estimated by calculating the projected cans of infant formula that will be purchased for the number of infants projected to be served in the fiscal year. Based on the food policy of formula issuance and redemption trends, the program as a whole prescribes approximately 5.5 cans of infant formula per month for each infant issued infant formula. The total cans purchased can be calculated by multiplying the number of infants projected to be served monthly by this amount. The total cans purchased monthly are 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.

Infant Expenditures

For FY 2015-16, CDPH/WIC estimates infant expenditures will total \$356,865,280 annually, which is a decrease of \$8,654,912 or 2.37% compared to the revised FY 2014-15 actual amount of 365,520,192. For FY 2016-17, CDPH/WIC estimates infant expenditures will total \$356,214,597 annually, which is a decrease of \$650,683 or 0.18% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2014-15 and the projected expenditures for FY 2015-16 and FY 2016-17.

Participant Category Comparison: Infant								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	2015 November Estimate	2016 May Revision	Change from SFY 2014-15 Actuals		2016 May Revision	Change from SFY 2015 May Revision	
Average monthly participation*	267,851	261,764	256,745	-11,106	-4.15%	250,418	-6,327	-2.46%
Average cost per participant*	\$ 113.72	\$ 115.14	\$ 115.83	\$ 2.11	1.86%	\$ 118.54	\$ 2.71	2.34%
Annual Expenditures**	\$ 365,520,192	\$361,674,084	\$ 356,865,280	\$ (8,654,912)	-2.37%	\$ 356,214,597	\$ (650,683)	-0.18%

*These numbers were not used to calculate the 2016-17 Governor's Budget

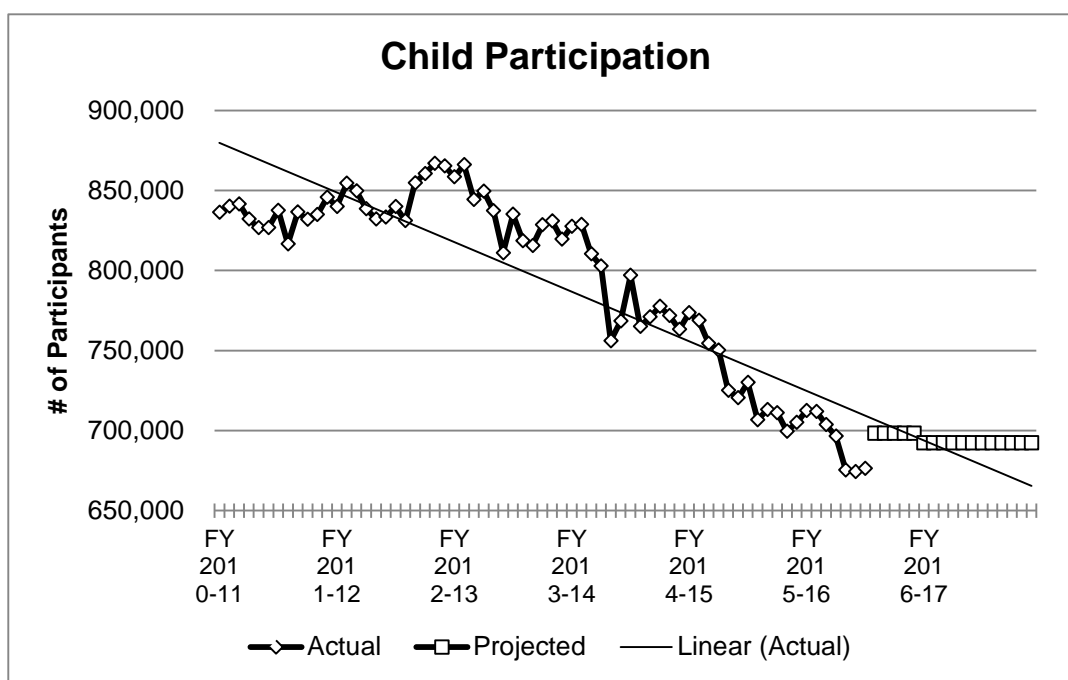
** Numbers rounded to the nearest dollar

B5: Child Participation and Expenditures

The WIC Program provides the following services to children from one year old up to the age of five: anemia screening; nutrition education specific to a growing child; height, weight, and health history assessment; and referrals to other useful services. The authorized categories of food for children are milk, breakfast cereal, juice, fruits and vegetables, whole grains, eggs, and beans or peanut butter.

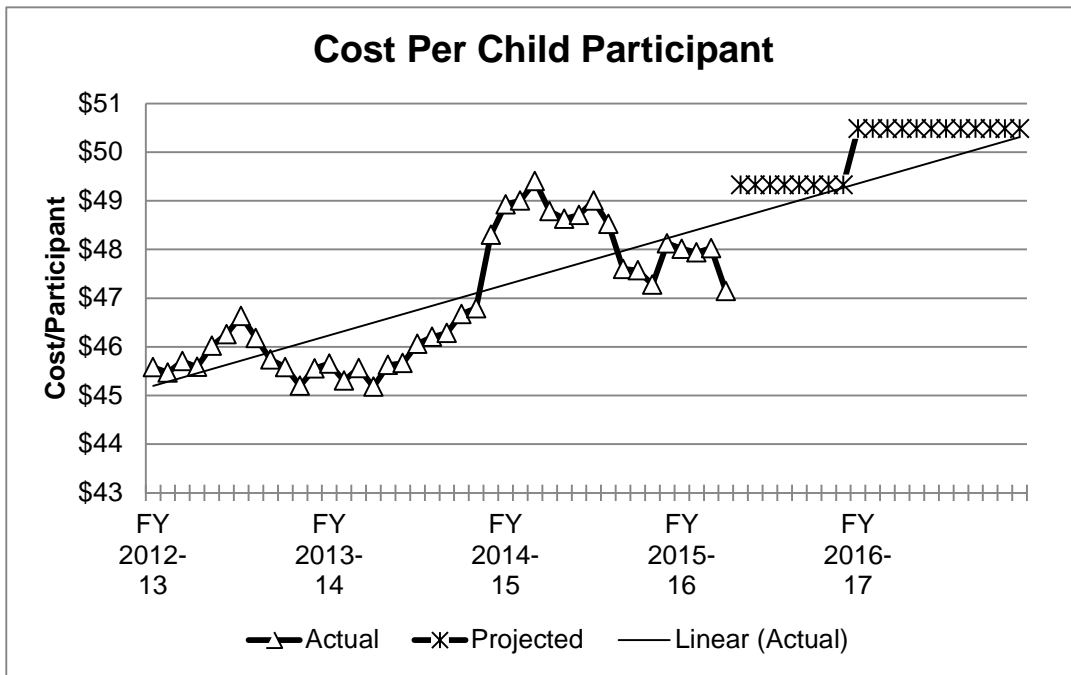
Child Participation

CDPH/WIC estimates current year (FY 2015-16) child participation will average 695,159 participants monthly. This figure represents a decrease of approximately 34,649 or 4.75% of the actual FY 2014-15 average of 729,808 participants per month. Child participation in FY 2016-17 is estimated to be 692,335 participants monthly, which includes the projected increase in child participation resulting from the collaboration with CalFresh. Overall, this projected participation represents a decrease of approximately 2,824 or 0.41% compared to the current year estimate.



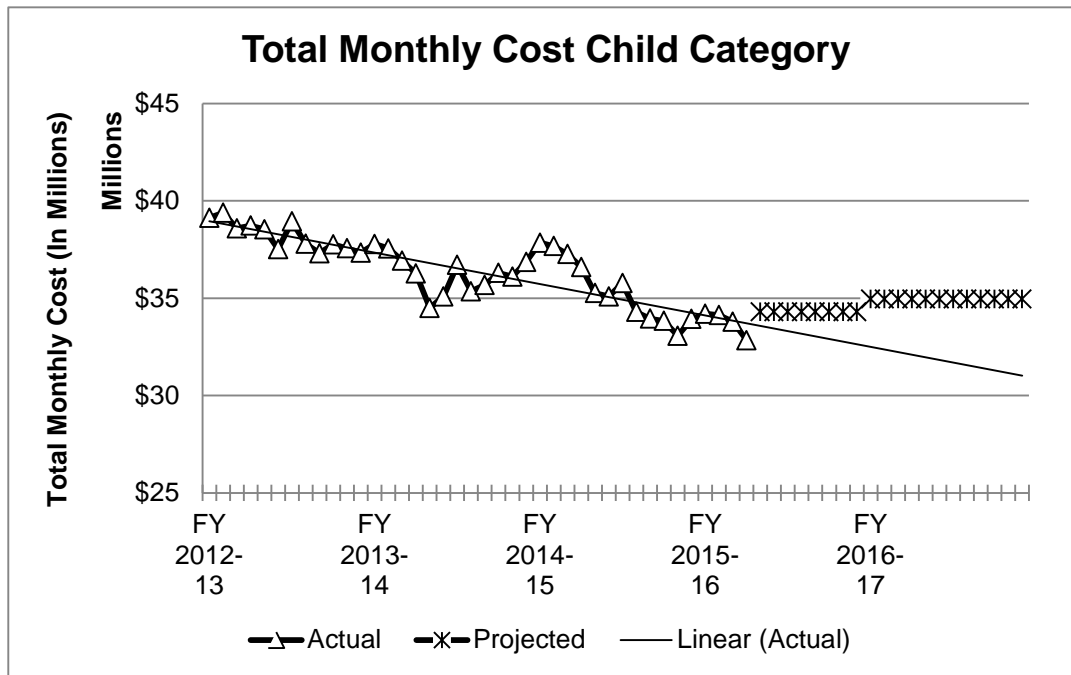
Costs per Child Participant

For FY 2015-16, CDPH/WIC estimates average cost per child participant will be \$49.33, which is an increase of \$0.87 or 1.80%. For FY 2016-17, CDPH/WIC estimates average cost per child participant will be \$50.48, which is an increase of \$1.15 or 2.33% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Child Expenditures

For FY 2015-16, CDPH/WIC estimates child expenditures will total \$411,506,322 annually, which is a decrease of \$12,891,630 or 3.04% compared to the revised FY 2014-15 actual amount of \$424,397,952. For FY 2016-17, CDPH/WIC estimates child expenditures will total \$419,388,850 annually, which is an increase of \$7,882,528 or 1.92% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2014-15 and the projected expenditures for FY 2015-16 and FY 2016-17.

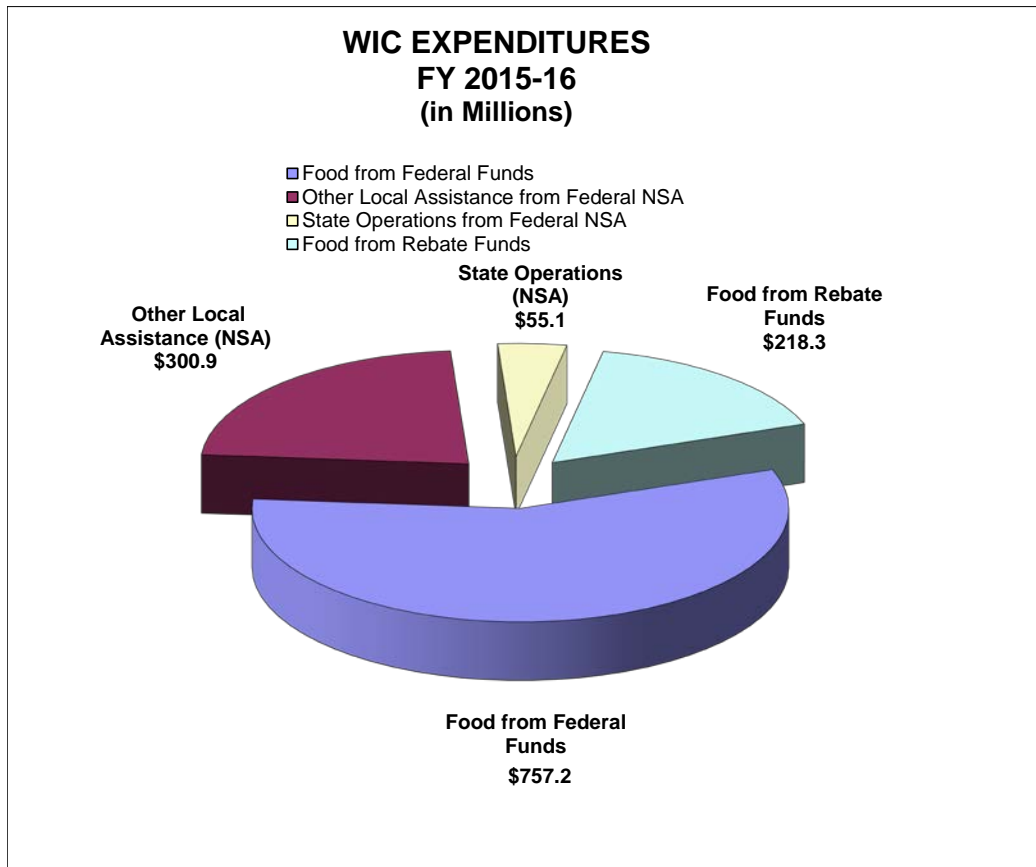
Participant Category Comparison: Child								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	2015 November Estimate	2016 May Revision	Change from SFY 2014-15 Actuals		2016 May Revision	Change from SFY 2015 May Revision	
Average monthly participation*	729,808	713,629	695,159	-34,649	-4.75%	692,335	-2,824	-0.41%
Average cost per participant*	\$ 48.46	\$ 49.10	\$ 49.33	\$ 0.87	1.80%	\$ 50.48	\$ 1.15	2.33%
Annual Expenditures**	\$ 424,397,952	\$420,470,207	\$ 411,506,322	\$ (12,891,630)	-3.04%	\$ 419,388,850	\$ 7,882,528	1.92%

*These numbers were not used to calculate the 2016-17 Governor's Budget

** Numbers rounded to the nearest dollar

APPENDIX C: WIC Special Display Chart (Government Code 13343)

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2014-15 (Actual)	CY SFY 2015-16 (Estimated)	BY SFY 2016-17 (Proposed)
LOCAL ASSISTANCE			
0890 <i>Federal Grant for Food</i>	\$ 749,775,405	\$ 757,187,172	\$ 774,950,372
0890 <i>Federal Grant for Administration</i>	\$ 276,209,562	\$ 300,867,000	\$ 300,867,000
Total Federal Funds	\$ 1,025,984,967	\$ 1,058,054,172	\$ 1,075,817,372
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 227,711,361	\$ 218,351,647	\$ 217,084,821
Total Other Funds	\$ 227,711,361	\$ 218,351,647	\$ 217,084,821
TOTAL LOCAL ASSISTANCE	\$ 1,253,696,328	\$ 1,276,405,819	\$ 1,292,902,193
STATE OPERATIONS			
0890 <i>Federal Grant</i>	\$ 51,120,246	\$ 55,140,136	\$ 61,429,198
TOTAL STATE OPERATIONS	\$ 51,120,246	\$ 55,140,136	\$ 61,429,198
GRAND TOTAL WIC PROGRAM	\$ 1,304,816,574	\$ 1,331,545,955	\$ 1,354,331,391



APPENDIX D: Revenue Projections

WIC is federally funded by the USDA through the Food Grant and the Nutrition Services and Administration Grant, as well as through rebates received from the contracted infant formula manufacturer.

WIC has revised federal revenue estimates for FY 2015-16 totaling \$1.215 billion, which is a decrease of \$21 million or 1.66% compared to the 2016-17 Governor's Budget amount of \$1.236 billion.

For FY 2016-17, WIC projects federal revenue will total \$1.207 billion, which is a decrease of \$28 million or 2.30% compared to the 2016-17 Governor's Budget amount of \$1.236 billion. This decrease was based on preliminary federal FY 2016 budget calculations included in the Agriculture Appropriations Bill.

REVENUE COMPARISON (all funds)							
Revenue Source	2014-15 Actual	SFY 2015-16			SFY 2016-17		
		2016-17 Governor's Budget	May Revision	Change from 2016-17 Governor's Budget	2016-17 Governor's Budget	May Revision	Change from 2016-17 Governor's Budget
Federal Food Grant	865,244,324	859,508,309	840,352,781	(19,155,528) -2.23%	859,043,481	833,502,778	(25,540,703) -2.97%
Rebate Food Funds	227,617,000	221,369,550	218,351,647	(3,017,903) -1.36%	216,739,700	217,084,821	345,121 0.16%
Total Funds for Food	1,092,861,324	1,078,493,049	1,058,704,428	(19,788,621) -1.83%	1,072,794,169	1,050,587,599	(22,206,570) -2.06%
Federal NSA Grant	376,640,629	376,864,505	375,473,410	(1,391,095) -0.37%	376,778,517	373,874,752	(2,903,765) -0.77%
Total Federal Funds	1,241,884,953	1,236,372,814	1,215,826,192	(20,546,623) -1.66%	1,235,821,998	1,207,377,530	(28,444,468) -2.30%

1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for California 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:

- 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 71% of the appropriation is allocated for food, and California receives approximately 18% 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 2015	\$ 6,623,000,000	\$ 155,000,000	71.22%	17.88%	\$ 823,860,148
FFY 2016	\$ 6,350,000,000	\$ 90,000,000	71.50%	18.39%	\$ 823,120,584

California's 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 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. 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 2015-16, Food Grant revenue is expected to total \$840.4 million, which is a decrease of \$19.1 million or 2.2% compared to \$859.5 million in the 2016-17 Governor's Budget.

In FY 2016-17, CDPH/WIC projects Food Grant revenue will total \$833.5 million, which is a decrease of \$25.5 million or 3.0% compared to \$859.0 million in the 2016-17 Governor's Budget.

WIC RESOURCES FOR FOOD			
	FFY 2015	FFY 2016	Prorate to SFY 15/16
Base Appropriation	\$ 823,860,148	\$ 823,120,584	\$ 823,305,475
Reallocations & Voluntary Recovery	\$ 37,042,643	\$ 10,382,194	\$ 17,047,306
Total	\$ 860,902,791	\$ 833,502,778	\$ 840,352,781
	FFY 2016	FFY 2017	Prorate to SFY 16/17
Base Appropriation	\$ 823,120,584	\$ 823,120,584	\$ 823,120,584
Reallocations & Voluntary Recovery	\$ 10,382,194	\$ 10,382,194	\$ 10,382,194
Total	\$ 833,502,778	\$ 833,502,778	\$ 833,502,778

3. NSA Grant

Approximately 29% of the national WIC appropriation is allocated for NSA, and California receives approximately 17% 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 2015	\$ 6,623,000,000	\$ 155,000,000	28.78%	16.65%	\$ 310,003,002
FFY 2016	\$ 6,350,000,000	\$ 90,000,000	28.50%	16.67%	\$ 297,338,286

In FY 2015-16, NSA Grant revenue is expected to total \$375.5 million, which is a decrease of \$1.4 million or 0.37% compared to \$376.9 million in the 2016-17 Governor's Budget.

In FY 2016-17, NSA Grant revenue is expected to total \$373.9 million, which is a decrease of \$2.9 million or 0.77% compared to \$376.8 million in the 2016-17 Governor's Budget.

WIC RESOURCES FOR NSA			
	FFY 2015	FFY 2016	Prorate to SFY 15/16
Base Appropriation, NSA*	\$ 294,502,852	\$ 282,471,372	\$ 285,479,242
Farmers Market and Nutrition	\$ 2,063,983	\$ 1,947,144	\$ 1,976,354
Breastfeeding Peer Counseling	\$ 9,316,140	\$ 9,291,085	\$ 9,297,349
Reallocations, Transfers & Contingency	\$ 34,292,254	\$ 43,796,359	\$ 41,420,333
Spendforward	\$ 36,947,240	\$ 37,417,764	\$ 37,300,133
Total	\$ 377,122,469	\$ 374,923,724	\$ 375,473,410
	FFY 2016	FFY 2017	Prorate to SFY 16/17
Base Appropriation, NSA	\$ 282,471,372	\$ 282,471,372	\$ 282,471,372
Farmers Market and Nutrition	\$ 1,947,144	\$ 1,947,144	\$ 1,947,144
Breastfeeding Peer Counseling	\$ 9,291,085	\$ 9,291,085	\$ 9,291,085
Reallocations, Transfers & Contingency	\$ 43,796,359	\$ 43,796,359	\$ 43,796,359
Spendforward	\$ 37,417,764	\$ 36,019,135	\$ 36,368,792
Total	\$ 374,923,724	\$ 373,525,095	\$ 373,874,752

* 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 \$218.4 million, a decrease of \$3 million or 1.36% compared to the 2016-17 Governor's Budget amount of \$221.4 million. In FY 2016-17, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues to total \$217.1 million, which is an increase of \$0.4 million or 0.16% compared to the 2016-17 Governor's Budget amount of \$216.7 million.