

Women, Infants, and Children (WIC)

**Fiscal Year 2017-18
November Estimate**



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I. ESTIMATE

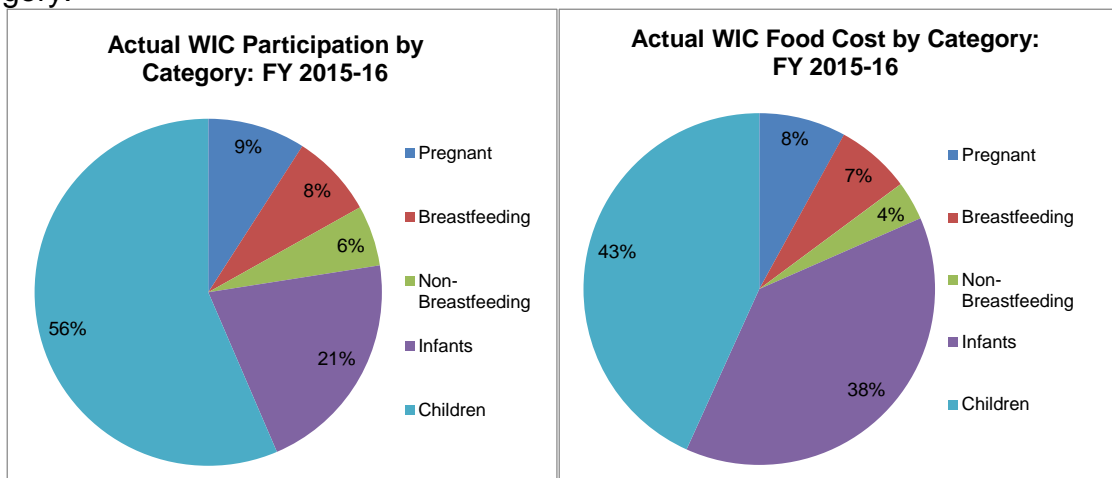
A. Program Overview

The California Department of Public Health/Women, Infants and Children (CDPH/WIC) Division operates a \$1.3 billion program serving approximately 1.2 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. 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 \$29,637 for a family size of two in 2016). 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 WIC authorized 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 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 (38 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 child category accounts for 43 percent of food costs despite its 56 percent participation share).

B. Food Expenditures

1. Current Year

The CDPH/WIC 2016 Budget Act appropriation provided \$992.0 million for food expenditures. The November Estimate anticipates a decrease in food expenditures in FY 2016-17 from \$992.0 million to \$957.9 million, a decrease of \$34.1 million or 3.44 percent. This decrease is due to lower than projected participation levels.

CDPH/WIC's revised FY 2016-17 Estimate is comprised of federal food expenditures of \$734.6 million, which is a decrease of \$40.4 million from the 2016 Budget Act, and WIC Manufacturer Rebate Fund food costs of \$223.4 million, an increase of \$6.3 million from the 2016 Budget Act. Rebate Fund food costs are increasing by 2.9 percent due to a manufacturer wholesale price increase for infant formula.

2. Budget Year

For FY 2017-18, CDPH/WIC's food expenditure estimate is \$973.2 million which is a decrease of \$18.9 million or 1.90 percent as compared to the 2016 Budget Act and an increase of \$15.2 million or 1.59 percent from the revised FY 2016-17 food expenditures due to 2.87 percent in food inflation. Participation is expected to only slightly decrease from projected current year statistics due to the decreasing five year participation trend, mitigated by projected additional participants gained through the *Increasing the Enrollment of Children in WIC BCP*. Federal food costs are projected to be \$756.8 million, and WIC Manufacturer Rebate Fund food costs are projected to be \$216.4 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 2016-17, the NSA budget and the anticipated expenditures for local administration are estimated at \$300.9 million, which is the same as the 2016 Budget Act. There is no change to the State Operations expenditure estimate of \$61.4 million from the 2016 Budget Act.

2. Budget Year

In FY 2017-18, there is no change to the local administration expenditure estimate of \$300.9 million from the 2016 Budget Act. State Operations expenditures are estimated to be \$63.2 million, an increase of \$1.8 million or 2.90 percent compared to the 2016 Budget Act amount of \$61.4 million. This increase in FY 2017-18 can be attributed to the \$1.8 million increase in expenditures for the eWIC Electronic Benefit Transfer (EBT) and Management Information System (MIS) Project.

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	2016 Budget Act	SFY 2016-17			SFY 2017-18		
		November Estimate	Change from 2016 Budget Act		November Estimate	Change from 2016 Budget Act	
Local Assistance Expenditures	1,075,817,000	1,035,439,000	(40,378,000)	-3.75%	1,057,618,000	(18,199,000)	-1.69%
Food Expenditures (Food Grant)	774,950,000	734,572,000	(40,378,000)	-5.21%	756,751,000	(18,199,000)	-2.35%
Other Local Assistance (NSA Grant)	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
State Operations (NSA Grant)	61,429,000	61,429,000	-	0.00%	63,209,000	1,780,000	2.90%

REVENUE COMPARISON (federal funds)							
Fund 0890 Federal Trust Fund	2016 Budget Act	SFY 2016-17			SFY 2017-18		
		November Estimate	Change from 2016 Budget Act		November Estimate	Change from 2016 Budget Act	
Total Available Resources	1,207,378,000	1,172,335,000	(35,043,000)	-2.90%	1,173,618,000	(33,760,000)	-2.80%
Food Grant	833,503,000	796,097,000	(37,406,000)	-4.49%	796,794,000	(36,709,000)	-4.40%
NSA Grant	373,875,000	376,238,000	2,363,000	0.63%	376,824,000	2,949,000	0.79%

EXPENDITURE COMPARISON (rebate funds)							
Fund 3023 Manufacturer Rebate	2016 Budget Act	SFY 2016-17			SFY 2017-18		
		November Estimate	Change from 2016 Budget Act		November Estimate	Change from 2016 Budget Act	
Local Assistance Expenditures	217,085,000	223,377,000	6,292,000	2.90%	216,412,000	(673,000)	-0.31%

REVENUE COMPARISON (rebate funds)							
Fund 3023 Manufacturer Rebate	2016 Budget Act	SFY 2016-17			SFY 2017-18		
		November Estimate	Change from 2016 Budget Act		November Estimate	Change from 2016 Budget Act	
Total Available Resources	217,085,000	223,377,000	6,292,000	2.90%	216,412,000	(673,000)	-0.31%

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 to up to age five, 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 needed 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	2016 Budget Act	SFY 2016-17			SFY 2017-18		
		November Estimate	Change from 2016 Budget Act		November Estimate	Change from 2016 Budget Act	
Pregnant	75,577,000	70,450,000	(5,127,000)	-6.78%	69,259,000	(6,318,000)	-8.36%
Breastfeeding	64,788,000	61,893,000	(2,895,000)	-4.47%	62,542,000	(2,246,000)	-3.47%
Non-Breastfeeding	33,085,000	31,846,000	(1,239,000)	-3.74%	31,545,000	(1,540,000)	-4.65%
Infants	356,215,000	362,555,000	6,340,000	1.78%	361,352,000	5,137,000	1.44%
Children	419,389,000	389,216,000	(30,173,000)	-7.19%	406,033,000	(13,356,000)	-3.18%
Yogurt	10,787,000	10,787,000	-	0.00%	10,787,000	-	0.00%
Cash Value Voucher Increase	3,300,000	3,300,000	-	0.00%	3,300,000	-	0.00%
Reserve	28,894,000	27,902,000	(992,000)	-3.43%	28,345,000	(549,000)	-1.90%
Total Food Expenditures	992,035,000	957,949,000	(34,086,000)	-3.44%	973,163,000	(18,872,000)	-1.90%
<i>Food Expenditures Paid from Rebate Funds</i>	<i>217,085,000</i>	<i>223,377,000</i>	<i>6,292,000</i>	<i>2.90%</i>	<i>216,412,000</i>	<i>(673,000)</i>	<i>-0.31%</i>
<i>Food Expenditures Paid from Federal Funds</i>	<i>774,950,000</i>	<i>734,572,000</i>	<i>(40,378,000)</i>	<i>-5.21%</i>	<i>756,751,000</i>	<i>(18,199,000)</i>	<i>-2.35%</i>
Other Local Assistance Expenditures (Federal NSA)	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
Total Federal Local Assistance Expenditures (Food + NSA)	1,075,817,000	1,035,439,000	(40,378,000)	-3.75%	1,057,618,000	(18,199,000)	-1.69%
State Operations (Federal NSA)	61,429,000	61,429,000	-	0.00%	63,209,000	1,780,000	2.90%

Prudent Reserve for Food Expenditures

A prudent reserve request of 3 percent for food expenditures is revised for current year to \$27.9 million, which is a decrease of \$992,000 or 3.43 percent compared to the 2016 Budget Act. The prudent reserve request for FY 2017-18 is revised to \$28.3 million; this is a decrease of \$549,000 or 1.90 percent compared to the 2016 Budget Act.

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 \$3 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 WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for FY 2015-16, and projected revenues for FY 2016-17 and FY 2017-18.

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 15-16 Actuals	SFY 16-17 Estimate	SFY 17-18 Estimate
BEGINNING BALANCE	116	179	219
Prior Year Adjustments		-	-
Adjusted Beginning Balance	116	179	219
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	36	40	40
4172100 Fines - Court	20	-	-
4172500 Miscellaneous Revenue	217,659	223,377	216,412
Total Revenues, Transfers, and Other Adjustments	217,715	223,417	216,452
Total Resources	217,831	223,596	216,671
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	217,652	223,377	216,412
Total Expenditures and Expenditure Adjustments	217,652	223,377	216,412
FUND BALANCE	179	219	259

III. ASSUMPTIONS**1. Future Fiscal Considerations****a. Infant Formula**

Background: On July 31, 2017, the current CDPH/WIC infant formula contract with Mead Johnson and Company will expire. 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 (3) forms: liquid concentrate, powder, and ready-to-feed. Historically, CDPH/WIC receives bids from three manufacturers: Mead Johnson and Company, Abbott Laboratories, and Nestle Gerber. The IFB includes separate solicitations for milk-based and soy-based iron-fortified infant formula, which may result in either one contract for both infant formula types or two separate manufacturer contracts. In December 2016, CDPH awarded the infant formula contract to Mead Johnson and Company. The term of the infant formula contract will be for

three years, with the option of extending up to two additional years for a total of five years. The new contract will start August 1, 2017.

Description of Change: With a new infant formula contract, it is likely the rebate dollar amount reimbursed per can of infant formula will change. It is possible that the rebate amount received will change and the net cost for infant formula may increase or decrease. Should there be an increase in net cost for the infant formula purchased by CDPH/WIC, it may require greater reliance on the USDA food grant for funding of infant formula.

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

Reason for Adjustment/ Change: Increase or decrease in infant formula rebates may result in an increase or decrease to the overall cost of infant formula.

Fiscal Impact (Range) and Fund Source(s): The potential fiscal impact is currently unknown; however, a change in net cost for infant formula will impact both the Federal Trust Fund (0890) and the WIC Manufacturer Rebate Fund (3023) and will be updated in the May Revision.

2. New Assumptions/ Premises

a. Infant Formula Wholesale Price and Rebate Increase

Background: Federal WIC regulations require that CDPH/WIC has sole supplier rebate contracts in place with an infant formula manufacturer(s) for milk-based and soy-based infant formula. The current contract brand infant formula manufacturer increased their wholesale price per can for all powdered infant formulas provided to WIC participants effective May 1, 2016. The change was announced subsequent to the completion of the FY 2016-17 May Revision Estimate. The infant formula rebate contract allows the manufacturer to increase wholesale prices and requires a cent-for-cent increase to the rebate amount paid to CDPH/WIC following the wholesale price increase to result in the same total net monthly cost of infant formula as in the original contract.

Description of Change: Although rebate revenue will increase in direct proportion to the increase in wholesale price to WIC Authorized Vendors, CDPH/WIC will still experience an increase in food expenditures due to an expected increase in retail markup on the infant formula as a result of the wholesale price increase.

Discretionary: No.

Reason for Adjustment/ Change: Change in manufacturer's wholesale price of infant formula results in increased food costs, despite contractual cost neutrality, due to the

retailer's disproportionate price mark-up in response to a wholesale price increase. As a result, CDPH/WIC's food expenditures for infant formula have increased.

Fiscal Impact (Range) and Fund Source(s): Overall annual increase in food expenditures of approximately \$21.1 million, ongoing: \$15.6 million would be covered by increased rebate revenue in the WIC Manufacturer Rebate Fund (3023) and the remaining \$5.5 million would be covered by the Federal Trust Fund (0890).

b. Changes to Methodology to Identify and Remove Partially-redeemed Food Instruments by Vendor Peer Group

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 Final Rule (WBR 60300) modifies the methodology CDPH/WIC uses to identify and exclude partially-redeemed food instruments (FIs) from the Statewide Average. The new methodology identifies 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 Maximum Allowable Department Reimbursement (MADR) rate.

Description of Change: CDPH/WIC now identifies and excludes partially-redeemed FIs from the Statewide Average by determining the MFRV at the peer group level. This will result in increased food fund expenditures due to increased MADR rates for Above-50-Percent vendors (vendors who derive more than 50 percent of their gross food sales from WIC transactions), because 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 the 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 does not sufficiently exclude partially-redeemed FIs from the calculation of the Statewide Average because it does not create an adequate partial redemption threshold and fails 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 USDA 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): Ongoing annual cost of approximately \$800,000 to the Federal Trust Fund (0890).

3. Existing (Significantly Changed) Assumptions/Premises

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

4. Unchanged 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 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 changed from February 2016 to March 28, 2016.

Fiscal Impact (Range) and Fund Source(s): Ongoing annual cost of approximately \$10.8 million 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, 2013, by USDA/Food and Nutrition Service released in December 2015), CDPH/WIC serves 76 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 60 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 for all categories except children).

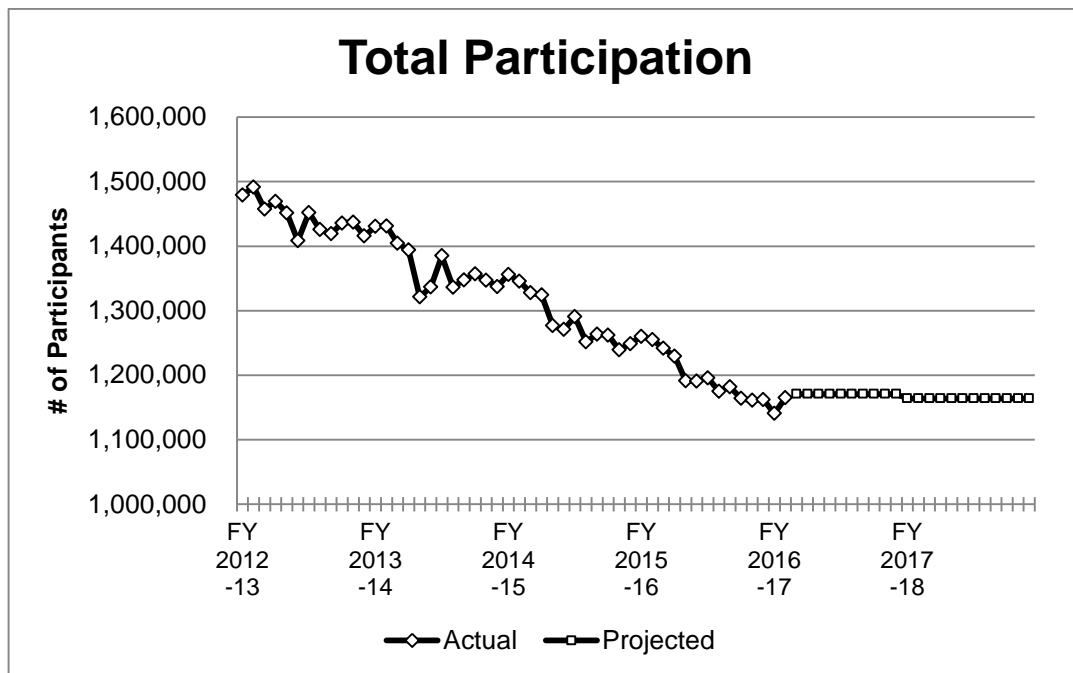
For each category, the five-year trend in actual participation is applied to the prior year category participation, and 60 percent of the forecasted change in births is added to that number (except for children) to arrive at a final forecast. The births adjustment is based on research showing that 60 percent of all infants born in California were enrolled in WIC by their first birthday (California WIC Association, 2012). Finance projects births to increase by 1.92 percent in FY 2016-17. 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 2016-17 participation is calculated as a sum of forecasted participation in each participant category. For FY 2015-16, monthly average participation was 1,200,705. For July 2016 and August 2016, the monthly average participation was 1,152,818. CDPH/WIC estimates FY 2016-17 participation will continue to decrease, but at a slower rate of 2.47 percent (compared to 6.79 percent in FY 2015-16). The overall estimated monthly average is 1,170,997 participants per month for FY 2016-17.

The basis for FY 2017-18 forecasts are the FY 2016-17 forecasted totals because actuals are not currently available, along with a projected continued 1.92 percent

increase in birth rates for that FY. 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 BCP*. CDPH/WIC estimates that FY 2017-18 total participation will continue to decrease, but at a slower rate of 0.59 percent (compared to the forecasted 2.47 percent in FY 2016-17). The overall estimated monthly average is 1,164,042 for FY 2016-17.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for FY 2016-17, which includes updated actual participation numbers for July 2016 and August 2016.



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 for inflation using the Consumer Price Index (CPI) projections for Food at Home from the Finance Economic Research Unit (ERU). The updated projected CPI inflation rate in FY 2016-17 is 3.16 percent, and for FY 2017-18 is 2.87 percent. Historical expenditures and average per participant food costs for FY 2015-16 through May 2016 were used to update projections for FY 2016-17 and FY 2017-18 food costs.

Below is a chart summarizing total actual food cost expenditures for FY 2015-16 and food cost projections for the current and budget years by participant category.

Factor	SFY 2015-16	SFY 2016-17				SFY 2017-18			
	Actuals	Budget Act 2016	November Estimate	Change from SFY 2015-16 Actuals		November Estimate	Change from SFY 2016-17 November Estimate		
Pregnant	Average monthly participation*	109,314	109,551	104,762	-4,552	-4.16%	100,114	-4,648	-4.44%
	Average cost per participant*	\$ 54.33	\$ 57.49	\$ 56.04	\$ 1.71	3.15%	\$ 57.65	\$ 1.61	2.87%
	Annual Expenditures**	\$ 71,268,360	\$ 75,577,044	\$ 70,450,350	\$ (818,010)	-1.15%	\$ 69,258,865	\$ (1,191,485)	-1.69%
Postpartum Breastfeeding Women	Average monthly participation*	93,316	93,717	91,595	-1,721	-1.84%	89,968	-1,627	-1.78%
	Average cost per participant*	\$ 54.59	\$ 57.61	\$ 56.31	\$ 1.72	3.15%	\$ 57.93	\$ 1.62	2.88%
	Annual Expenditures**	\$ 61,129,440	\$ 64,788,436	\$ 61,892,573	\$ 763,133	1.25%	\$ 62,542,155	\$ 649,582	1.05%
Postpartum Non-Breastfeeding Women	Average monthly participation*	67,736	66,307	65,656	-2,080	-3.07%	63,221	-2,435	-3.71%
	Average cost per participant*	\$ 39.18	\$ 41.58	\$ 40.42	\$ 1.24	3.16%	\$ 41.58	\$ 1.16	2.87%
	Annual Expenditures**	\$ 31,846,752	\$ 33,084,541	\$ 31,845,786	\$ (966)	0.00%	\$ 31,544,750	\$ (301,036)	-0.95%
Infants	Average monthly participation*	252,438	250,418	245,155	-7,283	-2.89%	237,519	-7,636	-3.11%
	Average cost per participant*	\$ 112.82	\$ 118.54	\$ 123.24	\$ 10.42	9.24%	\$ 126.78	\$ 3.54	2.87%
	Annual Expenditures**	\$ 341,760,660	\$356,214,597	\$ 362,554,826	\$ 20,794,166	6.08%	\$ 361,351,906	\$ (1,202,920)	-0.33%
Children	Average monthly participation*	677,901	692,335	663,829	-14,072	-2.08%	673,221	9,392	1.41%
	Average cost per participant*	\$ 47.37	\$ 50.48	\$ 48.86	\$ 1.49	3.15%	\$ 50.26	\$ 1.40	2.87%
	Annual Expenditures**	\$ 385,346,040	\$419,388,850	\$ 389,216,219	\$ 3,870,179	1.00%	\$ 406,033,050	\$ 16,816,831	4.32%
Total***	Average monthly participation*	1,200,705	1,212,328	1,170,997	(29,708)	-2.47%	1,164,043	(6,954)	-0.59%
	Average cost per participant*	\$ 61.86	\$ 65.24	\$ 65.18	\$ 3.32	5.37%	\$ 66.63	\$ 1.45	2.22%
	Annual Expenditures**	\$ 891,351,252	\$949,053,468	\$ 915,959,754	\$ 24,608,502	2.76%	\$ 930,730,726	\$ 14,770,972	1.61%

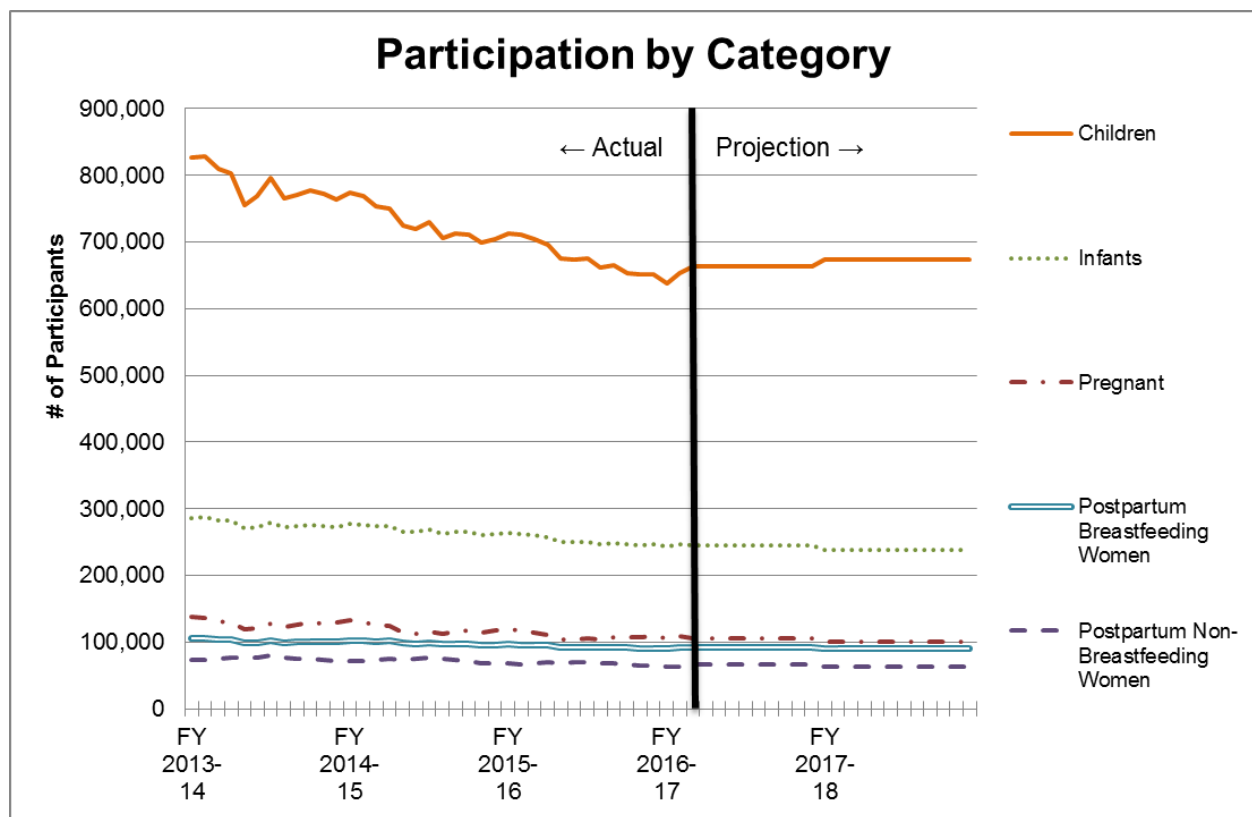
*These numbers were not used to calculate the 2016-17 Governor's Budget

** Numbers rounded to the nearest dollar

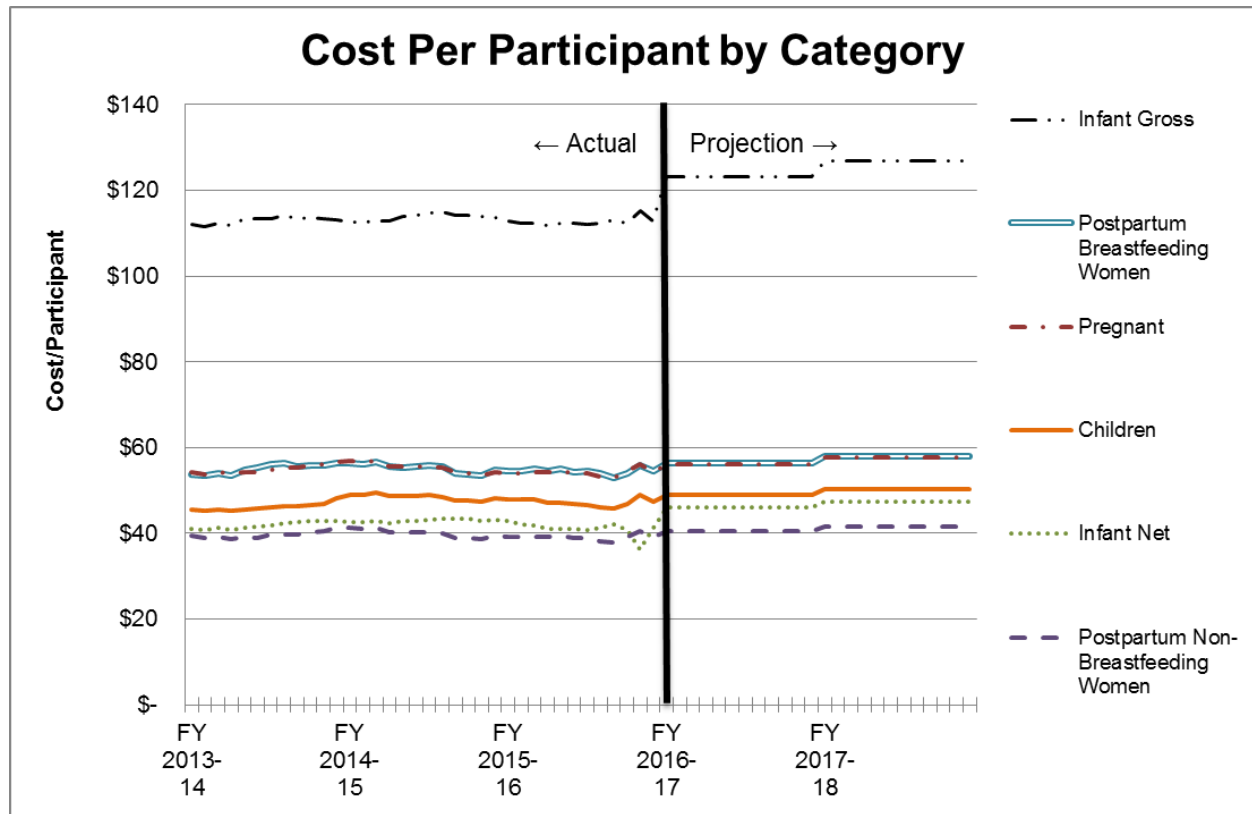
***Does not include adjustments for Yogurt, Cash Value Voucher increase, or 3% Reserve in food expenditures

APPENDIX B: Participant and Food Cost Projections by Category

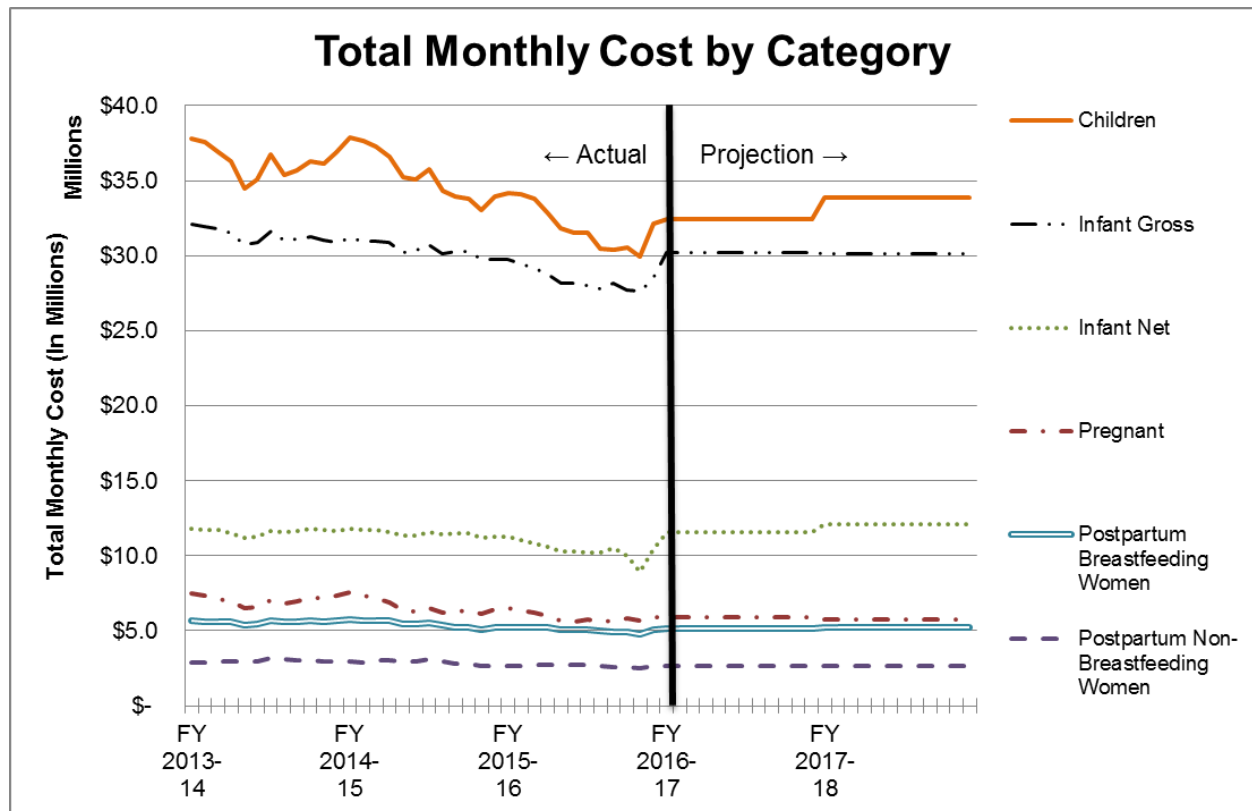
The figure below shows actual and projected participation trends since FY 2013-14. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. Forecasted monthly participation by category is included in the table in Appendix A.



The figure below shows average cost per participant in each category. Projected costs per participant include inflation projections. See table below for details on projected changes. The Pregnant and Postpartum Breastfeeding Women categories' food package costs are within \$0.50 of one another, causing their trend lines to appear to overlap in the figure.

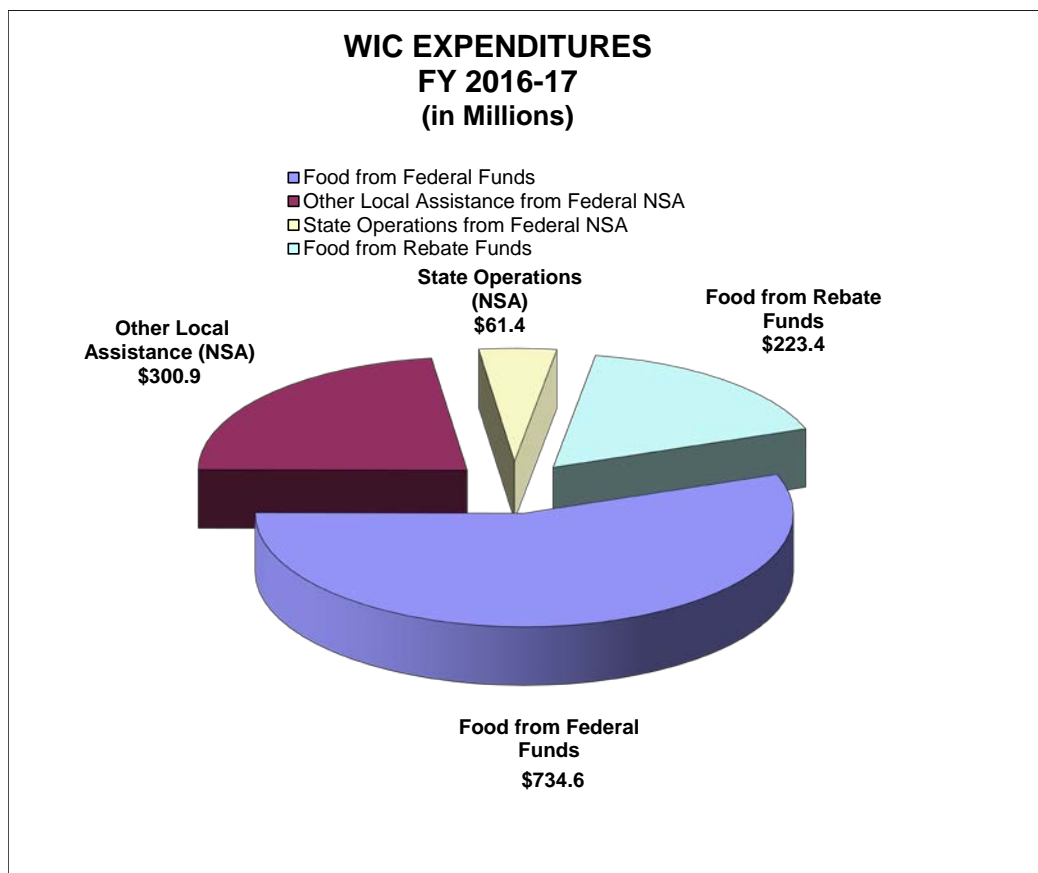


The figure below consolidates the information in the above two figures, and shows total monthly cost by category (forecasted participation times average cost per participant).



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

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2015-16 (Actual)	CY SFY 2016-17 (Estimated)	BY SFY 2017-18 (Proposed)
LOCAL ASSISTANCE			
0890 <i>Federal Grant for Food</i>	\$ 682,120,582	\$ 734,572,000	\$ 756,751,000
0890 <i>Federal Grant for Administration</i>	\$ 283,686,812	\$ 300,867,000	\$ 300,867,000
Total Federal Funds	\$ 965,807,394	\$ 1,035,439,000	\$ 1,057,618,000
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 217,652,290	\$ 223,377,000	\$ 216,412,000
Total Other Funds	\$ 217,652,290	\$ 223,377,000	\$ 216,412,000
TOTAL LOCAL ASSISTANCE	\$ 1,183,459,684	\$ 1,258,816,000	\$ 1,274,030,000
STATE OPERATIONS			
0890 <i>Federal Grant</i>	\$ 52,384,196	\$ 61,429,000	\$ 63,209,000
TOTAL STATE OPERATIONS	\$ 52,384,196	\$ 61,429,000	\$ 63,209,000
GRAND TOTAL WIC PROGRAM	\$ 1,235,843,880	\$ 1,320,245,000	\$ 1,337,239,000



APPENDIX D: Revenue Projections

CDPH/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.

The federal revenue estimates are revised for FY 2016-17 and total \$1.172 billion, which is a decrease of \$35.0 million or 2.90 percent compared to the 2016 Budget Act amount of \$1.207 billion.

For FY 2017-18, the projected federal revenue will total \$1.174 billion, which is a decrease of \$33.8 million or 2.80 percent compared to the 2016 Budget Act amount of \$1.207 billion. This increase was based on preliminary FFY 2017 budget calculations included in the Agriculture Appropriations Bill.

REVENUE COMPARISON (all funds)								
Revenue Source	2015-16 Actual	2016 Budget Act	SFY 2016-17			SFY 2017-18		
			November Estimate	Change from 2016 Budget Act		November Estimate	Change from 2016 Budget Act	
Federal Food Grant	810,731,399	833,503,000	796,097,000	(37,406,000)	-4.49%	796,794,000	(36,709,000)	-4.40%
Rebate Food Funds	217,659,000	217,085,000	223,377,000	6,292,000	2.90%	216,412,000	(673,000)	-0.31%
Total Funds for Food	1,028,390,399	1,050,588,000	1,019,474,000	(31,114,000)	-2.96%	1,013,206,000	(37,382,000)	-3.56%
Federal NSA Grant	375,067,768	373,875,000	376,238,000	2,363,000	0.63%	376,824,000	2,949,000	0.79%
Total Federal Funds	1,185,799,167	1,207,378,000	1,172,335,000	(35,043,000)	-2.90%	1,173,618,000	(33,760,000)	-2.80%

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 was approximately 18 percent of the national appropriation, but has lowered to 17 percent due to a decline in participation. 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 72 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 2016	\$ 6,350,000,000	\$ 90,000,000	71.50%	18.39%	\$ 823,120,584
FFY 2017	\$ 6,350,000,000	\$ 74,000,000	71.50%	16.69%	\$ 748,825,184

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 other 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 2016-17, Food Grant revenue is expected to total \$796.1 million, which is a decrease of \$37.4 million or 4.49 percent compared to \$833.5 million in the 2016 Budget Act.

In FY 2017-18, Food Grant revenue is expected to total \$796.8 million, which is a decrease of \$36.7 million or 4.40 percent compared to \$833.5 million in the 2016 Budget Act.

WIC RESOURCES FOR FOOD			
	FFY 2016	FFY 2017	Prorate to SFY 16/17
Base Appropriation	\$ 823,120,584	\$ 748,825,184	\$ 767,399,034
Reallocations & Voluntary Recovery	\$ (29,112,983)	\$ 47,968,893	\$ 28,698,424
Total	\$ 794,007,601	\$ 796,794,077	\$ 796,097,458
	FFY 2017	FFY 2018	Prorate to SFY 17/18
Base Appropriation	\$ 748,825,184	\$ 748,825,184	\$ 748,825,184
Reallocations & Voluntary Recovery	\$ 47,968,893	\$ 47,968,893	\$ 47,968,893
Total	\$ 796,794,077	\$ 796,794,077	\$ 796,794,077

3. NSA Grant

Approximately 29 percent of the national WIC appropriation is allocated for NSA, and California receives approximately 17 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 2016	\$ 6,350,000,000	\$ 90,000,000	28.50%	16.67%	\$ 297,338,286
FFY 2017	\$ 6,350,000,000	\$ 74,000,000	28.50%	16.67%	\$ 298,098,257

In FY 2016-17, NSA Grant revenue is expected to total \$376.2 million, which is an increase of \$2.4 million or 0.63 percent compared to \$373.9 million in the 2016 Budget Act.

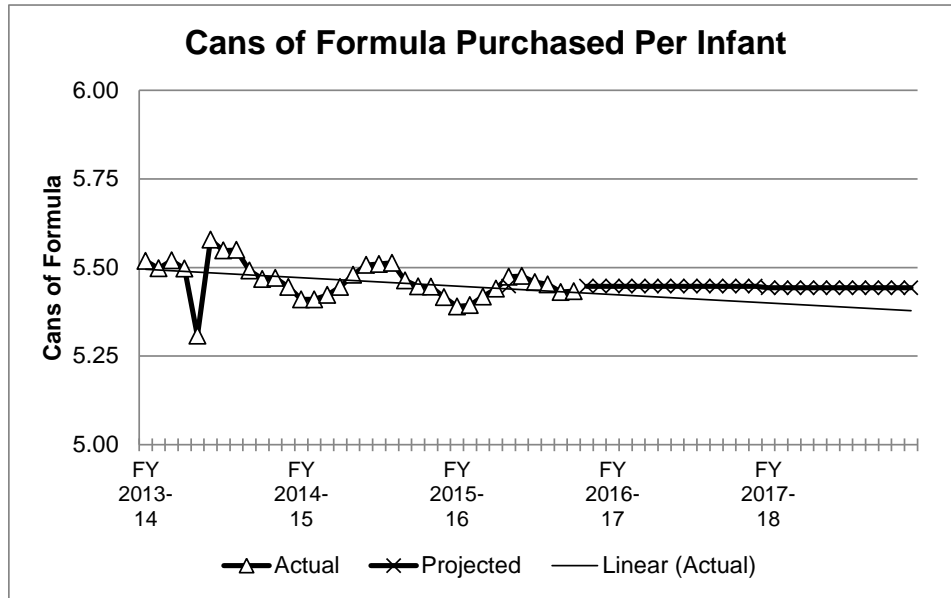
In FY 2017-18, NSA Grant revenue is expected to total \$376.8 million, which is an increase of \$2.9 million or 0.79 percent compared to \$373.9 million in the 2016 Budget Act.

WIC RESOURCES FOR NSA			
	FFY 2016	FFY 2017	Prorate to SFY 16/17
Base Appropriation, NSA*	\$ 282,471,372	\$ 283,193,344	\$ 283,012,851
Farmers Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 9,291,085	\$ 8,818,442	\$ 8,936,603
Reallocations, Transfers & Contingency	\$ 43,213,971	\$ 42,491,999	\$ 42,672,492
Spendforward	\$ 37,440,906	\$ 40,255,765	\$ 39,552,050
Total	\$ 374,481,317	\$ 376,823,533	\$ 376,237,979
	FFY 2017	FFY 2018	Prorate to SFY 17/18
Base Appropriation, NSA	\$ 283,193,344	\$ 283,193,344	\$ 283,193,344
Farmers Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 8,818,442	\$ 8,818,442	\$ 8,818,442
Reallocations, Transfers & Contingency	\$ 42,491,999	\$ 42,491,999	\$ 42,491,999
Spendforward	\$ 40,255,765	\$ 40,255,765	\$ 40,255,765
Total	\$ 376,823,533	\$ 376,823,533	\$ 376,823,533

* 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 \$223.4 million, an increase of \$6.3 million or 2.90 percent compared to the 2016 Budget Act amount of 217.1 million. In FY 2017-18, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues to total \$216.4 million, which is a decrease of \$673,000 or 0.31 percent compared to the 2016 Budget Act.



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.