

Women, Infants, and Children (WIC)

2021-22

May Revision Estimate



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I. ESTIMATE

A. Program Overview

The California Department of Public Health (CDPH), Women, Infants, and Children Division (WIC) operates a \$1.1 billion program that served approximately 870,000 low-income California residents per month in 2019-20. WIC receives federal funding to administer the WIC program through 84 local agencies (WIC Local Agencies) and approximately 3,860 authorized grocers and 62 authorized farmers. The funding through the United States Department of Agriculture (USDA) is based on a discretionary grant appropriated by Congress, plus subsequent reallocations of prior year unspent funds. The WIC Program does not require any state general funds and is not an entitlement program; the number of participants served is limited by the discretionary federal grant. It is California's third largest federally funded food and nutrition assistance program after CalFresh, otherwise known as Supplemental Nutrition Assistance Program (SNAP) in most states, and the subsidized school meal programs.

The WIC program provides nutrition services and food assistance for pregnant, breastfeeding, and non-breastfeeding women, infants, and children up to age five who are at nutritional risk. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level, which is equivalent to an annual income of \$31,894 for a family size of two in 2020. The WIC program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and benefits for specific supplemental foods redeemable at authorized grocers. The WIC program is federally funded by the USDA under the federal Child Nutrition Act of 1966 and the Healthy, Hunger-Free Kids Act of 2010, as amended. Specific uses of the WIC program funds are required under federal laws and regulations, and WIC must report funds and expenditures monthly.

According to the most recent data (*National- and State- Level Estimates of WIC Eligibility and WIC Program Reach in 2017*, by USDA/Food and Nutrition Service (FNS) released in December 2019), the WIC program serves 61.1 percent of eligible Californians, which is the third highest coverage rate for state agencies behind Puerto Rico and Maryland, and much higher than the national average of 51.1 percent. California is estimated to serve 81.6 percent of all eligible infants.

WIC revenues are comprised of the federal grants and retained manufacturer rebates. The maximum number of participants served by WIC depends largely on food package costs, of which infant formula is a large percentage. Purchase of infant formula represents approximately 37 percent of gross food expenditures. WIC program federal regulations require all states to obtain infant formula manufacturer rebates through a competitive bidding process to offset this cost and maximize the number of participants that can be served. The California state budget authorizes WIC to retain infant formula rebate revenue and use it to offset the cost of food for WIC participants. Rebate revenue accounts for approximately 28 percent of WIC revenue for food.

In addition to funding food expenditures, the Local Assistance budget authority includes other federal funds, such as the Nutrition Services and Administration (NSA) Grant, which are used to assist WIC Local Agencies in the direct services provided to WIC families and support the management information system (MIS) used in the provision of those services. The NSA Grant also funds WIC State Operations for administering the program. (See Appendix C, page 26)

This Estimate projects food expenditures based on statewide participation, historical expenditures, any regulatory changes that affect costs, and inflation. WIC estimates cost per participant at the overall participation level. For program management purposes, participation is still projected at the categorical level. These categories are: pregnant women, breastfeeding women, non-breastfeeding women, infants, and children under five years old. The Estimate also includes other Local Assistance and State Operations expenditures.

The Healthy, Hunger-Free Kids Act of 2010 required all WIC state agencies to implement an Electronic Benefit Transfer (EBT) benefits delivery system by October 1, 2020. CDPH/WIC completed all federally mandated requirements for full statewide EBT implementation on July 22, 2020.

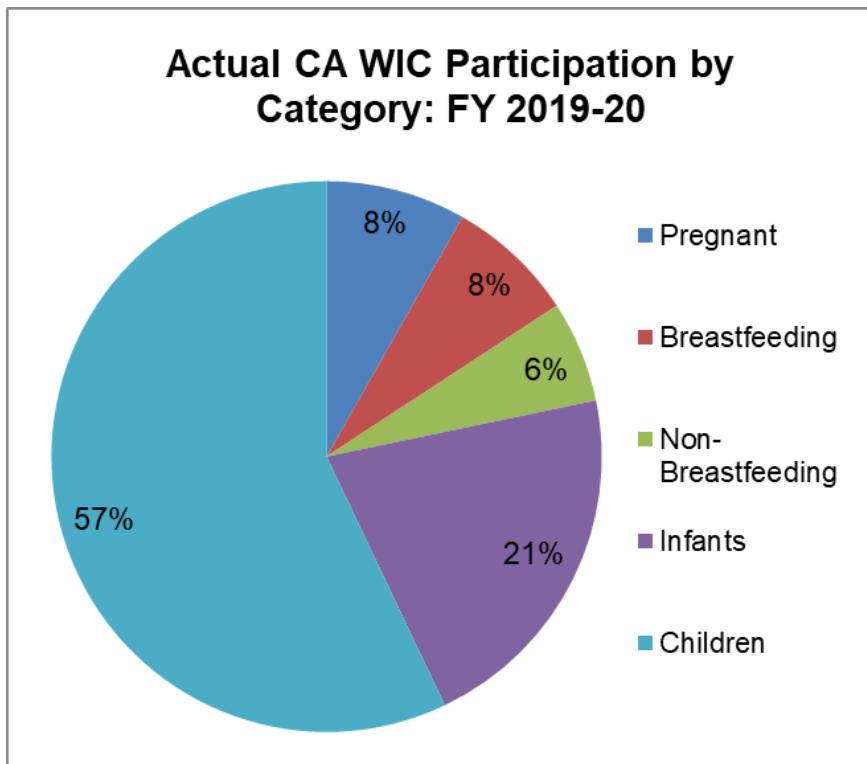
The California WIC EBT Card replaced paper checks and is an easier way to issue benefits, as well as improve the shopping experience for WIC families and grocers. Along with the WIC Card, WIC also rolled out an updated MIS system and the California WIC App that allows participants to view their food benefit balances, scan the bar code of foods to determine if the item is included in their food benefit balance, view upcoming WIC appointments, and find WIC offices and grocery stores.

- Since the beginning of the project pilot in June 2019¹, more than 900,000 cards have been issued,
- Over 18 million WIC Card transactions have been completed, and
- 100 percent of WIC authorized stores are EBT capable.

The WIC Card is unique and administered separately from the Golden State Advantage card for CalFresh SNAP and the California Work Opportunity and Responsibility to Kids (CalWORKs), which is the state's implementation of the federal program known as Temporary Assistance for Needy Families (TANF).

The following figure displays the distribution of California WIC participants by category:

¹ Data through March 15, 2021



The largest participant category served is children due to the length of children's eligibility (first to fifth birthday). Other participant categories are limited to one year of eligibility or less.

B. Food Expenditure Projections (See Appendix A)

The following chart details food expenditures and the resources, such as federal funds or rebate funds, used to support those expenditures. Expenditures paid from the NSA grant are also displayed in the chart to illustrate total federal funds used by WIC for Local Assistance and State Operations:

EXPENDITURE COMPARISON (all funds)									
All figures in dollars, rounded to the nearest thousand									
Expenditure Category	2020 Budget Act	SFY 2020-21				SFY 2021-22			
		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget	
Participant Food Package Costs	640,922,000	751,277,000	742,421,000	(8,856,000)	-1.18%	785,555,000	793,641,000	8,086,000	1.03%
Half Gallon Milk	-	-	-	-	0.00%	12,000,000	-	(12,000,000)	100.00%
Fruits & Vegetables Increase	-	-	20,705,000	20,705,000	100.00%	-	62,115,000	62,115,000	100.00%
Prudent Reserv	19,228,000	22,538,000	22,273,000	(265,000)	1.18%	23,567,000	23,809,000	242,000	1.03%
Total Food Expenditures	660,150,000	773,815,000	785,399,000	11,584,000	1.50%	821,122,000	879,565,000	58,443,000	7.12%
<i>Food Expenditures Paid from Rebate Funds</i>	189,012,000	196,784,000	203,936,000	7,152,000	3.63%	174,414,000	189,911,000	15,497,000	8.89%
<i>Food Expenditures Paid from Federal Funds</i>	471,138,000	577,031,000	581,463,000	4,432,000	0.77%	646,708,000	689,654,000	42,946,000	6.64%
Other Local Assistance Expenditures (Federal NSA)	304,243,000	304,243,000	304,243,000	-	0.00%	304,243,000	314,243,000	10,000,000	3.29%
Total Federal Local Assistance Expenditures (Food + NSA)	775,381,000	881,274,000	885,706,000	4,432,000	0.50%	950,951,000	1,003,897,000	52,946,000	5.57%
State Operations (Federal NSA)	59,210,000	59,210,000	59,210,000	-	0.00%	59,210,000	59,210,000	-	0.00%

Prudent Reserve for Food Expenditures

The USDA allows states a three 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.

As allowed, the prudent reserve request for food expenditures is revised for the current year to \$22.3 million, which is a decrease of \$265,000 or 1.18 percent when compared to the 2021-22 Governor’s Budget. The prudent reserve request for 2021-22 is revised to \$23.8 million, which is an increase of \$242,000 or 1.03 percent when compared to the 2021-22 Governor’s Budget. The 2021-22 amount includes approximately \$5 million in allowable breast pump purchases that are projected to be made in each fiscal year using Food Grant funds.

C. Expenditure Methodology/Key Drivers of Cost

Food expenditures are aggregated at the statewide level and divided by the number of participants to determine the average food cost per participant. Participation, the main driver of food costs, is divided into five categories as described below. Each participant category has special nutrition needs that influence food costs:

- Pregnant Women - Pregnant women are eligible to be 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 - 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 - Non-breastfeeding women are eligible for benefits up to six months post-partum and receive a supplemental food package to help in rebuilding nutrient stores, especially iron and calcium and achieving a healthy weight after delivery.
- Infants - Infants are eligible for benefits from birth 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 mothers and babies. 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 - Children are eligible for benefits from age one to 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 essential to meet nutritional needs during critical periods of development.

D. Food Expenditures

1. Current Year

Food expenditures are comprised of the federal food expenditures and the WIC Manufacturer Rebate food costs. The 2021-22 Governor's Budget estimated \$773.8 million (\$577 million federal fund and \$196.8 million rebate fund) for 2020-21 expenditures. The 2021-22 May Revision Estimate anticipates an increase in food expenditures in 2020-21 to \$785.4 million (\$581.5 million federal fund and \$203.9 million rebate fund), an increase of \$11.6 million or 1.5 percent compared to the 2021-22 Governor's Budget. The increase in food expenditures is based on slight growth in participation (953,347 participants projected in the 2021-22 May Revision compared to 951,755 projected in the 2021-22 Governor's Budget), an increase in food inflation (6.25 percent in the 2021-22 May Revision compared to 1.4 percent in the 2021-22 Governor's Budget), and an increase in the cash value benefit amount for fruits and vegetables. This increase is offset by a drop in the average per participant food costs, a result of including the months of auto-issuance in the calculation of average per participant food costs, which were previously excluded in the November Estimate. Rebate revenue is projected at \$203.9 million, which is an increase of \$7.1 million or 3.63 percent compared with the 2021-22 Governor's Budget amount of \$196.8 million.

2. Budget Year

For 2021-22, WIC's food expenditure estimate is \$879.6 million (\$689.7 million federal fund and \$189.9 million rebate fund), which is an increase of \$58.5 million or 7.12 percent as compared to the 2021-22 Governor's Budget amount of \$821.1 million. The increase in food expenditures is driven by an increase in the cash value benefit amount for fruits and vegetables and an increase in food inflation (4.22 percent in the 2021-22 May Revision compared to 1.55 percent in the 2021-22 Governor's Budget). This increase is offset by a slight decline in budget year participation projections (978,209 participants projected in 2021-22 May Revision Estimate compared to 979,983 projected in the 2021-22 Governor's Budget) and deferral of the \$12 million in estimated costs for WIC authorized food list (WAFL) changes for half gallons of milk until 2022-23. Rebate revenue is projected at \$189.9 million, which is an increase of \$15.5 million or 8.89 percent compared with the 2021-22 Governor's Budget amount of \$174.4 million.

E. Other Local Assistance and State Operations Projections

In addition to food costs, the Local Assistance budget authority includes other federal funds from the NSA Grant, which are used to assist WIC Local Agencies in the direct services provided to WIC families and support the MIS used in the provision of those services. Examples of direct services include intake, eligibility determination, benefit issuance, nutrition education, breastfeeding support, and referrals to health and social services. The NSA Grant also funds WIC State Operations for administering the WIC program.

1. Current Year

In 2020-21, the NSA budget, including the anticipated expenditures for local administration, are estimated at \$304.2 million, which is the same as the 2021-22 Governor's Budget. State Operations expenditures are estimated at \$59.2 million, which is the same as the 2021-22 Governor's Budget.

2. Budget Year

For 2021-22, the NSA budget and anticipated expenditures for local administration are estimated at \$314.2 million, which is an increase of \$10 million or 3.29% as compared to the 2021-22 Governor's Budget. This is due to higher local agency contract funding to account for increased administrative costs and participation levels. State Operations expenditures are estimated at \$59.2 million, which is the same as the 2021-22 Governor's Budget.

F. Fiscal Comparison Summary

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

EXPENDITURE COMPARISON (federal funds)									
All figures in dollars, rounded to the nearest thousand									
Fund 0890 Federal Trust Fund	2020 Budget Act	SFY 2020-21				SFY 2021-22			
		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget	
Local Assistance Expenditures	775,381,000	881,274,000	885,706,000	4,432,000	0.50%	950,951,000	1,003,897,000	52,946,000	5.57%
Food Expenditures (Food Grant)	471,138,000	577,031,000	581,463,000	4,432,000	0.77%	646,708,000	689,654,000	42,946,000	6.64%
Other Local Assistance (NSA Grant)	304,243,000	304,243,000	304,243,000	-	0.00%	304,243,000	314,243,000	10,000,000	3.29%
State Operations (NSA Grant)	59,210,000	59,210,000	59,210,000	-	0.00%	59,210,000	59,210,000	-	0.00%

REVENUE COMPARISON (federal funds)									
All figures in dollars, rounded to the nearest thousand									
Fund 0890 Federal Trust Fund	2020 Budget Act	SFY 2020-21				SFY 2021-22			
		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget	
Total Available Resources	1,084,481,000	1,084,481,000	1,025,385,000	(59,096,000)	5.45%	1,125,545,000	1,088,030,000	(37,515,000)	3.33%
Food Grant	687,073,000	687,073,000	640,954,000	(46,119,000)	6.71%	725,696,000	702,463,000	(23,233,000)	3.20%
NSA Grant	397,408,000	397,408,000	384,431,000	(12,977,000)	3.27%	399,849,000	385,567,000	(14,282,000)	3.57%

EXPENDITURE COMPARISON (rebate funds)									
All figures in dollars, rounded to the nearest thousand									
Fund 3023 Manufacturer Rebate	2020 Budget Act	SFY 2020-21				SFY 2021-22			
		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget	
Local Assistance Expenditures	189,012,000	196,784,000	203,936,000	7,152,000	3.63%	174,414,000	189,911,000	15,497,000	8.89%

REVENUE COMPARISON (rebate funds)									
All figures in dollars, rounded to the nearest thousand									
Fund 3023 Manufacturer Rebate	2020 Budget Act	SFY 2020-21				SFY 2021-22			
		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget		2021-22 Governor's Budget	2021 May Revision	Change from 2021-22 Governor's Budget	
Total Available Resources	189,012,000	196,784,000	203,936,000	7,152,000	3.63%	174,414,000	189,911,000	15,497,000	8.89%

II. FUND CONDITION STATEMENT

The Fund Condition Statement below illustrates the status of the WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for 2019-20, and projected revenues for 2020-21 and 2021-22:

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 2019-20*	SFY 2020-21 Estimate	SFY 2021-22 Estimate
BEGINNING BALANCE	14,002	1,039	1,108
Prior Year Adjustments	-	-	-
Adjusted Beginning Balance	487	1,039	1,108
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	249	69	69
4172500 Miscellaneous Revenue	203,337	203,936	189,911
4172100 Fines-Court	11		
Total Revenues, Transfers, and Other Adjustments	203,597	204,005	189,980
Total Resources	204,084	205,044	191,088
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)*	203,045	203,936	189,911
Total Expenditures and Expenditure Adjustments	203,045	203,936	189,911
FUND BALANCE	1,039	1,108	1,177

*Actuals for SFY 2019-20 financial statements.

III. ASSUMPTIONS

1. Future Fiscal Issues

a. Federal American Rescue Plan Act

Background: On March 11, 2021, the President signed the American Rescue Plan Act of 2021 into law. The Act provides funding for critical WIC investments totaling \$880 million. The Act allocates \$390 million for WIC to focus on outreach, innovation, and program modernization efforts. The USDA will provide direction on how these elements will be implemented.

The Act also provides \$490 million to enhance Cash Value Benefits for fruits and vegetables over a four-month period, currently scheduled to end September 30, 2021 (see *New Assumptions* section of this document).

Description of Change:

The \$390 million will be available to the USDA Secretary of Agriculture and possibly states until September 30, 2024, for outreach, innovation, and program modernization efforts, to increase participation and redemption of benefits.

CDPH/WIC anticipates that the \$300 million pandemic unemployment compensation will not affect WIC's eligible population regarding income eligibility. Previous 2020 pandemic recovery legislation provided similar increases to unemployment compensation for a limited time. Per flexibilities in the federal regulations, CDPH/WIC advised local agency staff to annualize additional unemployment compensation to reflect a family's income more accurately over time. The increased unemployment compensation from the American Rescue Plan Act will be treated by local agencies in a similar fashion.

Discretionary: Yes

Reason for Adjustment/Change:

- Accelerate modernizations routine in other public service programs or adopt technologies implemented during the pandemic.
- Modernize enrollment and recertification processes.
- Explore innovative approaches to enroll and encourage continued participation in WIC.
- Support outreach campaigns and encourage the redemption of benefits.

Fiscal Impact (Range) and Fund Source(s): The projected fiscal impact to California and breakdown by year for WIC investments is unknown at this time and will require direction from the United States Department of Agriculture – Food and Nutrition Services. The impacted Fund Source is Fund 0890.

b. Extending Child Eligibility to Age Six

Background: On May 12, 2020, Representative Rosa L. DeLauro (D-CT-3) introduced a bill in the 116th U.S. Congress called the “Wise Investment in Children Act of 2020 or WIC Act of 2020.” House of Representatives 6811 (H.R.6811) includes provisions that aim to improve maternal and child health outcomes in the United States by expanding WIC eligibility for infants, children, and new mothers. These provisions include giving states the option to extend the maximum age of eligibility for children participating in the WIC Program from five to six years of age, if not enrolled in kindergarten. The bill would give states the option to extend the certification time for infants to age two and extend the certification timeframe for breastfeeding and non-breastfeeding women to two years postpartum. As of January 29, 2021, the House Committee on Education and Labor has not acted on the bill. 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 at five years old, but who are not yet eligible to enter public school, where they would become eligible for school breakfast and lunch programs. 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.

The WIC Act was previously introduced in July of 2019 in the 116th U.S. Congress, with substantially similar provisions. Senator Robert P. Casey (D-PA) and Senator Susan M. Collins (R-ME) reintroduced S. 2358. The bill was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry where it stalled.

Description of Change: This bill may be reintroduced in 2021. A similar reintroduced bill could impact approximately one-quarter of the WIC Program’s child participants who could have up to an additional year of program eligibility. According to the bill author, the WIC Act of 2020 would reach about 600,000 children nationwide. Additionally, the change would allow postpartum WIC participants to receive benefits for two years. This would improve new mothers’ access to nutrition support by increasing the certification timeframe from six months to two years for non-breastfeeding women and from one year to two years for fully breastfeeding women.

Discretionary: Yes

Reason for Adjustment/Change:

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

Fiscal Impact (Range) and Fund Source(s): The potential impact is an estimated on-going annual cost of between approximately \$86 million to \$88 million to Federal Trust Fund (Fund 0890).

c. WIC Authorized Food List (WAFL) changes for Half Gallons of Milk

Background: In the WIC Bulletin Regulations (WBR), section 82750 WIC Authorized Food List: Milk, plain fluid cow's milk in half gallon containers is authorized in the Milk Category as part of a participant's food package under the following circumstances: when a participant selects a homeless food package or when the maximum monthly allowance cannot be met by issuing one (1) gallon containers. Plain fluid cow's milk in half gallon containers is only authorized for purchase when it meets the requirements in section (a)(1)(A) and (C) and only when half gallon is included in a participant's electronic benefits.

Description of Change: CDPH/WIC will amend the WBR to remove restrictions on milk purchases in one-gallon size containers allowing all WIC participants access to purchase plain fluid cow's milk in half gallon containers. Regulations are expected to become effective within 30 days after the end of the nationally declared public health emergency under section 319 of the Public Health Service Act (42 U.S.C. 247d).

Discretionary: No

Reason for Adjustment/Change:

- Unable to enforce the purchase of one-gallon containers due to WIC Web Information System Exchange (WISE) system constraints.
- Code of Federal Regulation Section 246.10 Supplement Foods does not specify restrictions regarding purchase of half gallon milk containers.
- Provide flexibility and a positive purchasing experience to WIC participants.

Fiscal Impact (Range) and Fund Source(s): Potential increase in costs will occur if participants change their shopping behavior and frequently select multiple half gallon containers as opposed to one-gallon containers of milk. The approximate difference in cost between one gallon of milk and two half gallons of milk is \$2.11/gallon. Based on participant shopping patterns in other large states, CDPH/WIC estimates a maximum of 40 percent of all milk being purchased in half gallons rather than one-gallon containers. This equates to 472,322 gallon-equivalents being purchased as half gallons for a potential monthly increase to food costs of \$1 million per month, or \$12 million in FY 2022-23. The impacted Fund Source is Fund 0890.

2. New Assumptions/Premises**a. Federal American Rescue Plan Act****Increased Fruit and Vegetable Benefits**

Background: On March 11, 2021, the President signed the American Rescue Plan Act of 2021 into law. The Act provides funding for critical WIC investments totaling \$880 million for two programmatic areas. The first programmatic area includes \$490 million to enhance cash value benefits for fruits and vegetables over a four-month period, currently scheduled to end September 30, 2021. The cash value benefit is a food

benefit that has a specific dollar amount that allows WIC families access to fruits and vegetables. During the four-month period of increased benefits, the Act will expand WIC's nutrition support efforts by more than tripling the fruit and vegetable benefit.

In addition, the Act allocates \$390 million for WIC to focus on outreach, innovation, and program modernization efforts and will require USDA direction on how these elements will be implemented. This funding is addressed under the first Future Fiscal Issue.

Description of Change: The Act provides funding to increase the value of the cash value benefit up to \$35 for a four-month period. This increase will affect four food packages for children ages 1 to 4 years, pregnant, postpartum, and breastfeeding participants. This increase to benefits can only be implemented for a maximum of four months and is only in effect until September 30, 2021. However, these funds will remain available until September 30, 2022.

Discretionary: Yes

Reason for Adjustment/Change:

- Expand access to nutritious foods and provide for increased enrollment due to the ongoing economic slowdown.
- Address increased food insecurity in WIC families.
- May increase the consumption of fruits and vegetables.
- Possibly attract more eligible families to WIC.

Fiscal Impact (Range) and Fund Source(s): Temporary increase in revenues and expenditures across multiple years. The impact to food revenues and expenditures from the four-month cash value benefit for fruits and vegetables to \$35 is estimated at \$20.7 million in 2020-21 and \$62.1 million in 2021-22. The impacted Fund Source is Fund 0890

b. Federal Fiscal Year (FFY) 2021 Budget Appropriations

Background: FFY 2021 grant funding consists of two appropriation bills, the Consolidated Appropriations Act of 2021 and the Families First Coronavirus Response Act.

The Consolidated Appropriations Act of 2021, enacted on December 27, 2020, included \$6 billion for the WIC Program, to remain available through September 30, 2021. The bill designates that no less than \$90 million of the funds be used for breastfeeding peer counselors, \$14 million to be used for infrastructure, and a \$1.25 billion rescission.

The Families First Coronavirus Response Act (FFCRA - H.R. 6201), which was enacted on March 18, 2020, set aside \$500 million for WIC programs across the country to support the increased need for food benefits and the increased cost for providing services. The United States Department of Agriculture (USDA) allocated the supplemental federal funding for WIC to state programs in December 2020. However, the FFCRA funds were provided to states in place of WIC grant funding, resulting in no

net change to the state's overall allocation. The FFCRA funding is to remain available through September 30, 2021.

In addition to the financial relief provided by the FFCRA, the act also allowed states to request waivers of administrative requirements that might prevent applicants and recipients from accessing WIC benefits during the public health emergency.

Description of Change: Loss of income due to unemployment, business closures, and reduced hours of employment may continue to increase WIC program participation. Changes in shopping habits of the general population have caused scarcity for traditionally WIC Authorized Food items and increased costs for WIC staple foods.

The funding from the Consolidated Appropriations Act of FFY 2021 is less than what was projected in the November Estimate for both Food and Nutrition Services and Administration (NSA). However, FFCRA funds allocated in December 2020 plus unspent reallocated funds from the prior year brought California WIC to the same level funding as FFY 2020.

Discretionary: Yes

Reason for Adjustment/Change:

- More Californians eligible for program benefits due to a major economic slowdown.
- Increased administrative costs at WIC Local Agencies due to rise in participation and changes WIC Local Agency operations due to social distancing requirements.
- Additional funds set aside in the FFCRA were provided to states in place of WIC funds, resulting in no net increase to the state's allocation.

Fiscal Impact (Range) and Fund Source(s): CDPH/WIC is projected to receive \$702.463 million in food and \$385.6 million in NSA grant funding. The decrease from the 2021-22 Governor's Budget is based on the appropriated federal budget for FFY 2021, which had a significant reduction in funding as compared to the House's proposed budget coupled with a \$1.25 billion rescission. Revenue from the Consolidated Appropriations Act of FFY 2021, prior year unspent funds, other grant funding plus FFCRA funds will provide sufficient funding to cover projected expenditures for 2020-21. The FFCRA funds (totaling \$78.3 million for California) were provided to states in place of WIC grant funding, resulting in no net change to the state's overall allocation specific to FFCRA. There is no impact to Fund 0890.

3. Existing (Significantly Changed) Assumptions/Premises

a. Adjustment to Participation Projection Methodology

Background: Recent major changes to the delivery of WIC services, challenges associated with COVID-19, and the need to properly account for a recent increase in WIC participation trends has prompted review of the participation projection

methodology used in prior Budget Estimates. CDPH/WIC's prior methodology was driven largely by a five-year average percent change in participation. This calculation captured a long-term and relatively steady decline in participation fueled in part by decreasing birth rates and improving economic conditions for many. However, such long-term trends are not as agile in projecting sudden shifts in participation in today's very different public health and economic climate. To adjust for this, CDPH/WIC proposes to replace the prior projection methodology with one that relies more heavily on recent months of participation actuals to estimate the size and behavior of the WIC-eligible population.

Description of Change: CDPH/WIC used a logistic growth model to project future category-specific WIC participation. This model makes use of two parameters to predict changes in participation over time.

The first parameter is a growth rate of the population, which is based on the average percent change in monthly participation across the eighteen most recently available months of actuals.

The second parameter is the upper limit of possible participants in California, given WIC age and income eligibility requirements. CDPH/WIC estimated this upper limit using both administrative data sources and WIC eligibility estimates published by USDA Food and Nutrition Services (FNS). Counts of all WIC-certified individuals were summed with counts of WIC-eligible non-participants determined from a match between WIC and Medi-Cal administrative records. This sum was then adjusted upwards (to account for WIC-eligible individuals not participating in either WIC or Medi-Cal) using separate estimates of coverage rates available in the most recent version of the USDA FNS WIC Eligibility and Program Reach Report.

Using these two parameters and starting the model off with the most recent month of participation actuals, CDPH/WIC calculated subsequent months of participation for each of the five WIC participation categories (infants, children, pregnant women, breastfeeding mothers, and non-breastfeeding mothers). Monthly projections are then summed across categories to provide a total estimate of the WIC participant population at any given point in time. For the 2021 May Revision, participation was revisited and instead of 12 months of data previously used in the 2021 November Estimate, participation projections are based on 18 months of data. Use of this longer span of prior actuals allows us to produce more conservative projections of participation going forward.

Discretionary: Yes

Reason for Adjustment/Change:

- Recent major changes in the delivery of WIC food benefits, economic and personal hardship due to COVID-19, and the observation of a recent increase in WIC participation trends together necessitate a reevaluation of the participation projections methodology.

- Developing a new methodology based less on long-term trends and more on a recent history of WIC participation and program reach allows CDPH/WIC to produce more accurate projections for budgeting purposes.

Fiscal Impact (Range) and Fund Source(s): As recent months have shown an increase in WIC participation, the new projections methodology will predict a higher number of average monthly participants in the 2021 May Revision relative to the previous estimates published in the 2021 November Estimate. For 2020-21, CDPH/WIC projects an additional 1,592 WIC participants per month on average, which equates to an increase in projected Food grant expenditures of up to \$1.2 million related to the increased participation. The impacted Fund Source is Fund 0890.

b. Auto-issuance of EBT Food Benefits

Background: Due to the COVID-19 pandemic, government orders to stay at home and to protect the health of WIC participants and staff, CDPH/WIC leveraged its new Management Information System (MIS) and electronic benefits to automatically issue food benefits to eligible participants. The auto-issuance of benefits minimizes the number of eligible participants that might miss out on monthly food benefits because of COVID-19 pandemic related barriers and also reduces the administrative burden on WIC Local Agencies. If a participant was within an active certification period, had been issued a California WIC Card, assigned a food package with valid start and end dates, and not yet manually issued food benefits by staff, then a script is run in the MIS to automatically load the prescribed food benefits to the household's electronic benefits account (EBA).

The first auto-issuance of benefits was run the evening of March 19, 2020, followed by runs at the beginning of each subsequent month. Beginning with the auto-issuance for May, WIC Local Agencies could opt out of the auto-issuance; to date, 20 WIC Local Agencies have permanently opted out, primarily our smaller agencies, with the remaining 63 participating in the auto-issuance (including most of the state's largest WIC Local Agencies). WIC Local Agencies find the auto-issuance helpful in ensuring that their eligible participants are issued food benefits. Staff can run reports in the MIS that allow them to identify the participants' auto-issued benefits so follow-up calls and texts can be made to inform participants of the new benefits loaded to their WIC Card. With the support of the participating agencies, CDPH/WIC intends to continue with the monthly auto-issuance until 30 days after the end of the nationally declared public health emergency under section 319 of the Public Health Service Act (42 U.S.C. 247d).

Description of Change: Since WIC participation is defined as the issuance of food benefits, auto-issuance has increased the participation count. Some of the growth in participation during the COVID-19 months is a result of new participants due to changing economic circumstances, ongoing demographic trends such as pregnancy and new births, and some of the growth is a result of auto-issuance. It is difficult to estimate the independent increase in participation based on auto-issuance alone since auto-issuance is applied to all certified individuals meeting the criteria. With the

implementation of EBT, CDPH/WIC does not have statewide historical trends to estimate pre-COVID issuance of EBT food benefits.

CDPH/WIC is monitoring benefit utilization data to determine if the auto-issuance of benefits impacts the utilization rate. Historically when participants shopped with checks, about five percent of checks were not redeemed; the available EBT data for the first nine months (June 2019 through February 2020) of EBT transition showed a similar five percent non-utilization rate (although these months only included the families that had transitioned to the WIC Card, based on the pilot counties and then statewide geographic roll out).

The benefit non-utilization rates for March, April, May and June 2020 showed an increase in the percent of families not redeeming at least one food item (8 percent, 13 percent, 14 percent and 15 percent, respectively), with July through November stabilizing around 15 percent (because of a family's benefit cycle, final utilization data are not available until 30 days after the cycle ends--June data not final until August 1), thus providing only 4 months of complete statewide benefit utilization rates. The average non-utilization rate from March through November 2020 is 14.2 percent. Additionally, a more detailed analysis comparing auto-issued versus non-auto-issued families showed that auto-issued families did have a larger increase than non-auto-issued families (between three and five percent); however, even the non-auto-issued families showed an increase in no redemptions, suggesting the increase in non-utilization rates are also likely to be a result of food shortages and shopping behavior changes due to health concerns. CDPH/WIC will continue to monitor benefit non-utilization data to assess the impact of auto-issuance.

The 2021 May Revision relative to the previous estimates published in the 2021 November Estimate that used 12 months of data have been updated and are now based on 18 months of data. With the increased level of participation, the cost per participant has declined, thereby impacting the calculation for total food expenditures. To reflect current costs, CDPH/WIC has now included the per participant food costs for all months in the calculation of the average per participant costs (this is a change from the 2021 November Estimate where the low redemption months were excluded).

Discretionary: Yes**Reason for Adjustment/Change:**

- To ensure that eligible participants are issued monthly food benefits during the COVID-19 pandemic, and to protect the health of participants and staff by reducing in-person interaction.
- Leverages the federal waivers of physical presence and remote benefit issuance to ensure participants have access to their prescribed healthy food.
- By including the lower redemption months in the average food package cost per-participant projection, food expenditures are reduced by \$9.3 million in 2020-21 and \$50 million in 2021-22.

Fiscal Impact (Range) and Fund Source(s): Impact due to including the impacted months of expenditures from the average per participant food cost calculation. Reduction of approximately \$9.3 million in 2020-21 and \$50 million in 2021-22 to Fund 0890.

4. Unchanged Assumptions/Premises

a. Transition to the California WIC Card

Background: The federal Healthy, Hunger-Free Kids Act of 2010 required all states to migrate WIC from a paper-based food benefit delivery system to an Electronic Benefits Transfer (EBT) system by October 1, 2020. With USDA approval, California began pilot operations in Solano and Napa Counties in June 2019. The implementation of the WIC Card statewide rollout began in September 2019 and included ten waves of regional roll outs with the last wave of WIC Local Agencies successfully implemented on March 30, 2020. As of June 30, 2020, no valid paper-based food instruments remain in circulation. As of July 22, 2020, California is considered a “fully implemented” EBT state with all California WIC Authorized Vendors capable of processing California WIC Card transactions. Implementation data suggests EBT rollout has resulted in a net increase in food costs.

Description of Change: The WIC Card supports easier participant access and use. Participant enrollment patterns and inflationary impacts will continue to be applied according to established methodology. The fiscal impact is calculated as the difference between average food package costs for October 2019 through May 2020 for paper-based food instruments (FIs) and EBT, multiplied by the average number of monthly participants during 2020-21. The average calculated increase in cost per participant is \$1.73.

Increased benefit utilization may be a contributing factor to the increase in per-participant food costs; however, this is not a measurable factor for paper FIs because of the combinations of foods on paper FIs. In addition, the Maximum Allowable Department Reimbursement (MADR) rate calculations for EBT are somewhat higher compared with the MADR rate calculations for the paper FIs resulting in higher payments for WIC foods.

Discretionary: No

Reason for Adjustment/Change: The federal mandate for completing the WIC Local Agency roll out and the transition of stores to the WIC Card was October 1, 2020. California met this deadline on July 22, 2020.

Fiscal Impact (Range) and Fund Source(s): Ongoing annual cost of approximately \$19.8 million to Fund 0890.

b. COVID-19 Approved Food Package Waivers

Background: In March 2020, USDA FNS granted states the opportunity to submit waiver requests that would allow for foods within the WIC food categories that did not meet the federal minimum requirements and specifications to be authorized for purchase during the COVID-19 pandemic. CDPH/WIC received waiver approvals in the Whole Grains, Tofu, and Legumes food categories, and received approval from USDA FNS to authorize new food items in all the food categories that meet the federal minimum requirements. These added food items during COVID-19 are not typically authorized in the WIC Authorized Food List regulations and Shopping Guide. The waivers and the expanded Authorized Product List (APL) may extend until 30 days after the end of the nationally declared public health emergency under section 319 of the Public Health Service Act (42 U.S.C. 247d).

Description of Change: CDPH/WIC authorized approximately 1,500 new food items to the WIC Program's APL in the Milk, Yogurt, Cheese, Eggs, Whole Grains, Fruits and Vegetables, Canned Fish, Legumes, Tofu, Soy, Juice, and Infant Foods categories to address widespread food outages. By the Spring of 2021, there were no longer widespread reports of food supply disruptions reported by WIC participants or local WIC agencies.

Discretionary: Yes

Reason for Adjustment/Change:

- California grocers experienced surges and widespread food shortages across the state after COVID-19 became a state emergency.
- Various WIC Local Agencies across the state continued to report ongoing food outages at WIC Authorized Vendors within their counties, which made it difficult for some participants to purchase WIC Authorized Foods.
- The food package waivers and the expanded APL provided participants more options while shopping for WIC Authorized Foods as grocery stores experienced food shortages during the pandemic.
- By the Spring of 2021, there were no longer widespread reports of food supply disruptions.

Fiscal Impact (Range) and Fund Source(s): Increase in costs will occur as a result from the approximately 1,500 higher cost food items being added to the APL that are normally not authorized because of cost containment strategies. The estimated increase in food costs for 2020-21, which is used as the basis for 2021-22 food cost projections, for redemption of the additional food items is approximately \$13,500 per month. The impacted Fund Source is Fund 0890.

5. Discontinued Assumptions/Premises

a. Rescission of Unspent Funds – FFY 2020

Background: The final appropriation bills for 2020 spending was signed on December 20, 2019, guaranteeing WIC funding. The final appropriation included \$6 billion for WIC, a slight decrease of \$75 million from the previous 2019 levels. It also included an increase from \$60 million to \$90 million for the Breastfeeding Peer Counselor Program. The final appropriation also included a \$1 billion rescission of unspent funds from prior year.

Description of Change: The rescission and the reduction of the WIC budget had the potential to decrease funding for the Food grant and the NSA grant.

The 2020 appropriation resulted in final initial Food and NSA grants that were less than was projected in the 2019-20 Governor's Budget; however, California was subsequently successful in applying for and receiving reallocated funding for both NSA and Food grants to bring funding levels consistent with the 2019-20 Governor's Budget.

Discretionary: No. The Appropriation Committees, members of Congress, and the President decide the funding level for WIC. The USDA FNS approves funding reallocation requests from states.

Reason for Adjustment/Change:

- The federal budget for WIC that Congress passes and the President signs has a major impact on California's Food and NSA funding levels.

Fiscal Impact (Range) and Fund Source(s): There was a decrease in projected food grant revenue for 2019-20 in the amount of \$1.4 million and an increase in projected NSA revenue for 2019-20 in the amount of \$21.7 million when compared with the 2019 Budget Act.

b. The Heroes Act

Background: On May 12, 2020, House Representative Nita M. Lowey (D-NY.) introduced a bill, House of Representatives 6800 (H.R. 6800), in the 116th U.S. Congress called the "Health and Economic Recovery Omnibus Emergency Solutions (Heroes) Act." The Heroes Act would provide \$1.1 billion dollars to the WIC Program, available through September 30, 2022. The bill also includes a provision to increase the amount of a cash-value voucher (CVV) for WIC participants with a qualified food package up to an amount of \$35. State agencies must notify the Secretary of the USDA if the increased CVV will be implemented.

The bill was not passed before September 30, 2020, therefore, not allowing enough time to impact current year food costs.

This bill was introduced as a response to the economic and health impacts of the COVID-19 pandemic. The Heroes Act is a follow-up bill to the CARES Act, signed into law in March 2020 and would provide additional support for those affected by the pandemic.

Description of Change: May have increased program funds through September 30, 2022 if the bill passed the Senate and is signed by the President with the funding intact. May have increased WIC food funds significantly due to the potentially high number of participants that would qualify for the additional CVV benefits.

Discretionary: Yes

Reason for Adjustment/Change:

- More Californians eligible for program benefits due to a major economic slowdown.
- Increase of the CVV benefit from about \$9 per participant to \$35 per participant for all existing and future WIC participants, both women and children.
- Increased administrative costs at WIC Local Agencies due to rise in participation and changes WIC Local Agency operations due to social distancing requirements.

Fiscal Impact (Range) and Fund Source(s): Approximate increase in food grant expenditures between \$13 to \$17 million per month from when the benefit is in effect. The impacted Fund Source is Fund 0890.

IV.APPENDICES

APPENDIX A

Rationale and Methodology for Participation and Expenditure Projections

According to the most recent data (Eligibles and Program Reach, 2017, by USDA FNS released in January 2020), the WIC program serves 61.1 percent of eligible Californians, the second highest coverage of eligible persons of all state WIC programs and third nationally behind Puerto Rico and Maryland, while the national average is 51.1 percent.

Federal fiscal year 2013 marked the first decline in 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 WIC.

After about eight years of monthly declines in participation, participation increased in March 2020 and through May 2020 and stabilized thereafter. This increase is due in part to a reaction by the WIC-eligible population to the COVID-19 pandemic and its associated economic hardship, as well as actions taken by CDPH/WIC to ensure that WIC families have food benefits during these uncertain times. This sudden departure from prior long-term trends necessitated a new projection methodology to accurately account for new factors influencing future WIC participation.

Participation is the main driver of food costs for the WIC program.

The five participation categories, defined on page 4 are forecasted separately based on:

- The participation numbers during the 18 most recent months of data; and
- The upper limit of possible WIC participants, jointly estimated using recently published USDA FNS coverage rates and counts of all WIC-eligible individuals using administrative data for WIC and Medi-Cal.

CDPH/WIC used a logistic growth model to project future category-specific WIC participation. This model makes use of two parameters to predict changes in participation over time.

The first parameter is a growth rate of the population, which is based on the average percent change in monthly participation across the eighteen most recently available months of actuals.

The second parameter is the upper limit of possible participants in California, given WIC age and income eligibility requirements. CDPH/WIC estimated this upper limit using both administrative data sources and WIC eligibility estimates published by USDA FNS. Counts of all WIC-certified individuals were summed with counts of WIC-eligible non-

participants determined from a match between WIC and Medi-Cal administrative records. This sum was adjusted upwards (to account for WIC-eligible individuals not participating in either WIC or Medi-Cal) using separate estimates of coverage rates available in the most recent version of the USDA FNS WIC Eligibility and Program Reach Report.

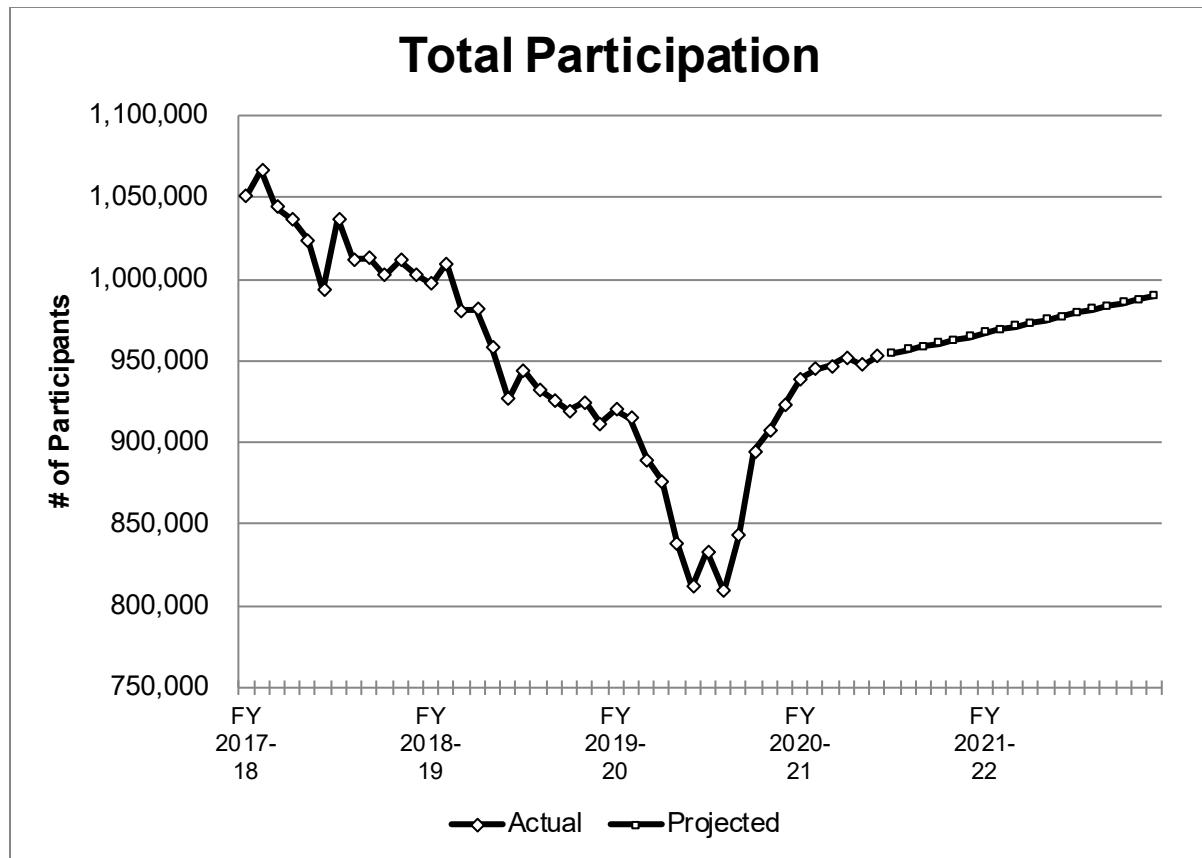
Using these two parameters and starting the model off with the most recent month of participation actuals, CDPH/WIC calculated subsequent months of participation for each of the five WIC participation categories (infants, children, pregnant women, breastfeeding mothers, and non-breastfeeding mothers). Monthly projections were then summed across categories to provide a total estimate of the WIC participant population at any given point in time.

This new approach makes more direct use of recent participant trends to inform future short-term projections. Nevertheless, information about long-term phenomena such as California's continued decline in births is also carried by timely actuals for participation. As the two parameters for the logistic growth model are assumed to be constant, they are best estimated with relatively short spans of recent data to produce meaningful short-term estimates. Additionally, as trends in participation change under the influence of long-term demographic declines and potentially unspecified future events, these parameter estimates can be easily reevaluated for subsequent budget cycles.

Total average monthly participation for 2020-21 is based upon 18 months of actuals and 6 months of projected data summed across all categories. For 2019-20, monthly average participation was 871,723. WIC estimates average monthly participation for 2020-21 will increase to 953,347, an increase of 9.36 percent, compared to a decline of 8.35 percent in 2019-20.

Total average monthly participation for 2021-2022 is based upon the remaining projected months from the growth model initialized with December 2020 as the most recent month of actuals. WIC estimates average monthly participation will increase to 978,209, an increase of 2.61 percent, compared to the 9.36 percent increase projected for 2020-21.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for 2021-22, which includes updated actual participation numbers through December 2020:



Total Food Expenditures

Food expenditures are divided by the number of participants to determine the average food cost per participant, which is then adjusted using the Consumer Price Index (CPI) projections for Food at Home from the ERU. Actual CPI data is available from ERU through November 2020, with projections through the end of 2021-22. The updated projected CPI rate in 2020-21 is 6.25 percent, and for 2021-22 is an inflation of 4.22 percent. The projected inflation rate used in the 2021-22 Governor's Budget was 1.38 percent for 2020-21 and 1.55 percent for 2021-22. Historical expenditures and updated average per participant food costs for 2019-20 from March through November 2020 were used to update projections for 2020-21 and 2021-22 food costs.

Below is a chart summarizing total actual food cost expenditures for 2019-20 and food cost projections for the current and budget year.

	Factor	SFY 2019-20	SFY 2020-21				SFY 2021-22	
		Actuals	2021-22 Governor's Budget	2021 May Revise	Change from SFY 2019-20 Actuals	2021 May Revise	Change from SFY 2020-21 in 2021 May Revise	
Total**	Average monthly participation	871,723	951,755	953,347	81,624	9.36%	978,209	24,862 2.61%
	Average cost per participant	\$ 64.03	\$ 65.78	\$ 64.90	\$ 0.86	1.35%	\$ 67.61	\$ 2.71 4.18%
	Annual Expenditures**	\$ 669,837,824	\$ 751,277,458	\$ 742,420,951	\$ 72,583,127	10.84%	\$ 793,640,661	\$ 51,219,710 6.90%

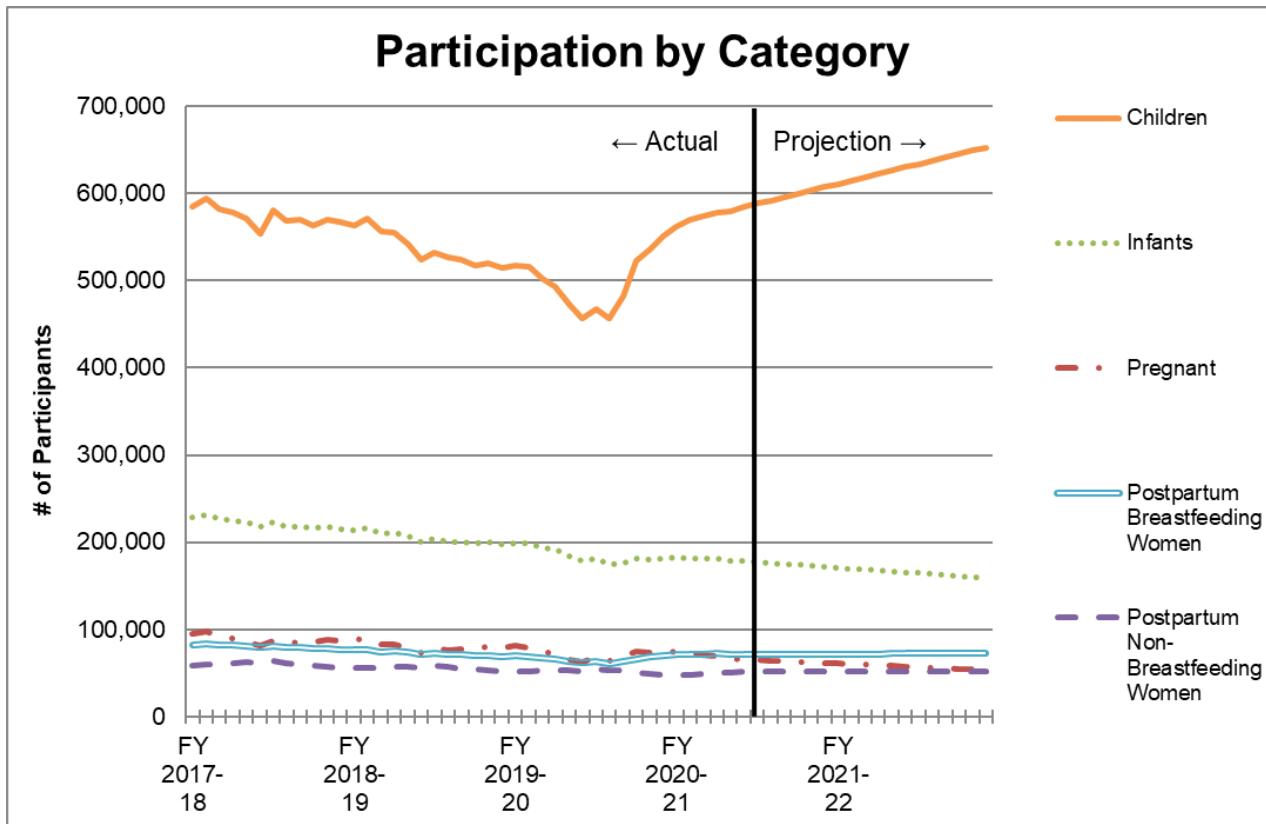
* SFY 2020-21 Average Participation includes actual participation for July 2020 through December 2020 and projected participation for January 2021 through June 2021.

** Numbers rounded to the nearest dollar.

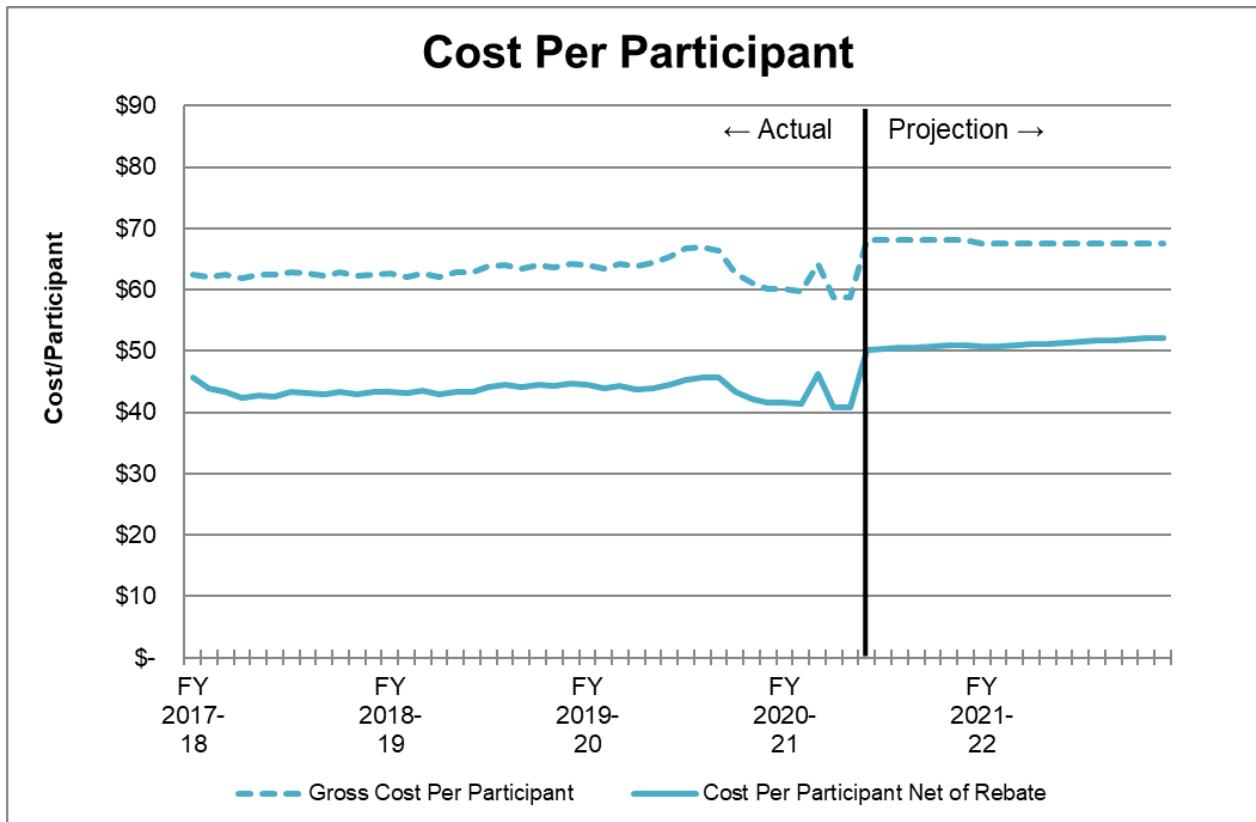
***Does not include 3% Prudent Reserve in food expenditures, half gallon milk adjustment, or CVB increase

APPENDIX B**Participant and Food Cost Projections by Category**

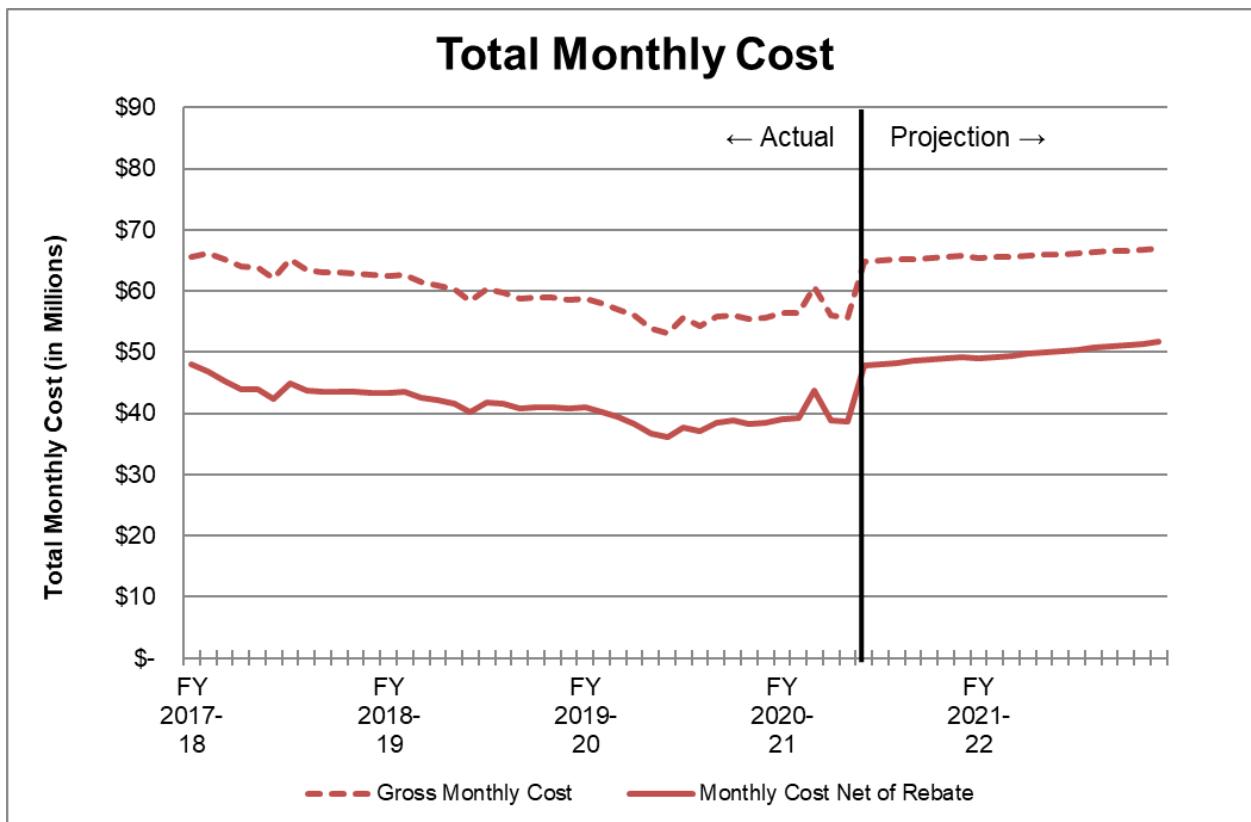
The figure below illustrates actual and projected participation trends since 2017-18. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. Forecasted monthly participation by category is included in the table in Appendix A:



The figure below illustrates average cost per participant. Projected costs include inflation projections:



The figure below consolidates the information in the above two charts, and illustrates total monthly cost (forecasted participation times average cost per participant):

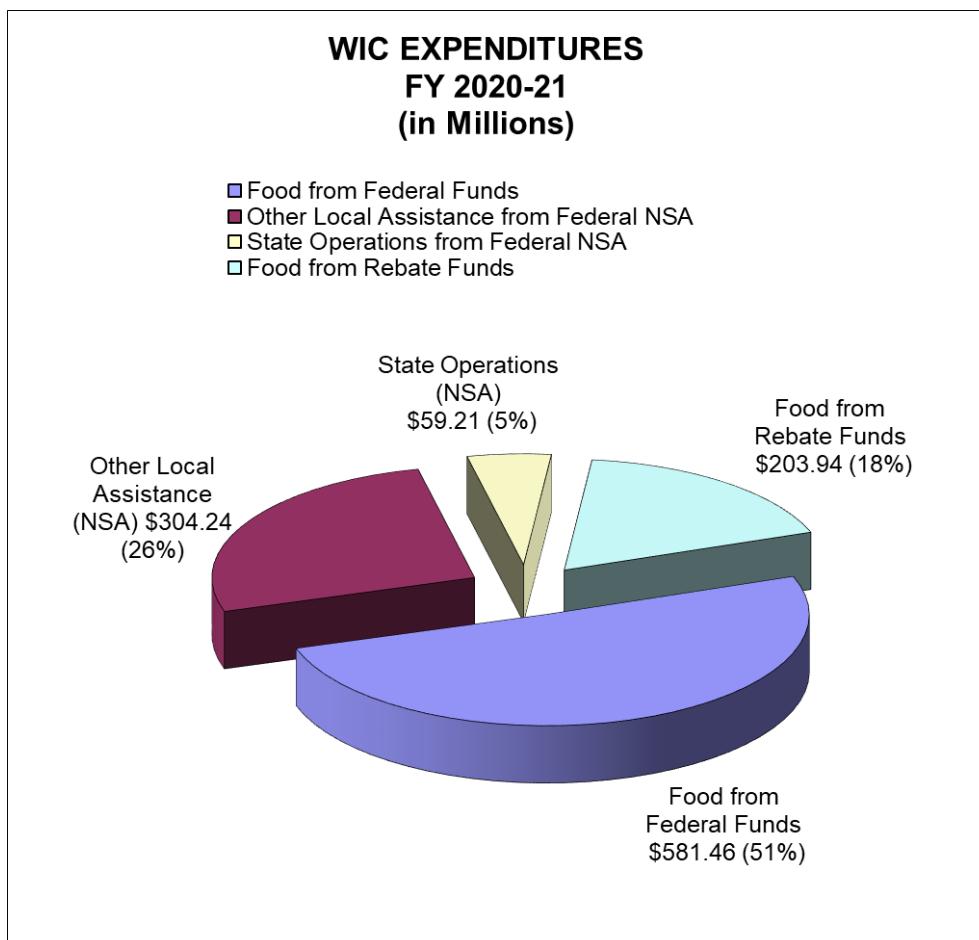


APPENDIX C

WIC Special Display Chart (Government Code 13343)

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2019-20 (Actual)	CY SFY 2020-21 (Estimated)	BY SFY 2021-22 (Proposed)
LOCAL ASSISTANCE			
0890 Federal Grant for Food	\$ 465,306,693	\$ 581,463,000	\$ 689,654,000
0890 Federal Grant for Administration	\$ 282,671,422	\$ 304,243,000	\$ 314,243,000
TOTAL FEDERAL TRUST FUND	\$ 747,978,115	\$ 885,706,000	\$1,003,897,000
3023 WIC Manufacturer Rebate Fund*	\$ 198,724,540	\$ 203,936,000	\$ 189,911,000
TOTAL LOCAL ASSISTANCE	\$ 946,702,655	\$1,089,642,000	\$1,193,808,000
STATE OPERATIONS			
0890 Federal Grant for State Operations	\$ 50,988,614	\$ 59,210,000	\$ 59,210,000
GRAND TOTAL WIC PROGRAM	\$ 997,691,269	\$1,148,852,000	\$1,253,018,000

* Expenditures for SFY 2019-20 do not reflect accruals



APPENDIX D**Revenue Projections**

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

The federal revenue estimates are revised for 2020-21 and total \$1 billion, which is decrease of \$59.1 million or 5.45 percent when compared to the \$1.1 billion amount provided in the 2021-22 Governor's Budget. The decrease is based on the appropriated federal budget for federal fiscal year 2021, which had a significant reduction in funding as compared to the House's proposed budget coupled with a \$1.25 billion rescission.

For 2021-22, the projected federal revenue will total \$1.1 billion, which is a decrease of \$37.5 million or 3.33 percent when compared to the 2021-22 Governor's Budget amount of \$1.1 billion as follows:

REVENUE COMPARISON (all funds) <i>All figures in dollars, rounded to the nearest thousand</i>									
Revenue Source	2019-20 Actual	2021-22 Governor's Budget	SFY 2020-21			2021-22 Governor's Budget	SFY 2021-22		
			May Revision	Change from 2021-22 Governor's Budget	May Revision		May Revision	Change from 2021-22 Governor's Budget	
Federal Food Grant	569,526,000	687,073,000	640,954,000	(46,119,000)	6.71%	725,696,000	702,463,000	(23,233,000)	3.20%
Rebate Food Funds	219,881,000	196,784,000	203,936,000	7,152,000	3.63%	174,414,000	189,911,000	15,497,000	8.89%
Total Funds for Food	789,407,000	883,857,000	844,890,000	(38,967,000)	4.41%	900,110,000	892,374,000	(7,736,000)	0.86%
Federal NSA Grant	393,771,422	397,408,000	384,431,000	(12,977,000)	3.27%	399,849,000	385,567,000	(14,282,000)	3.57%
Total Federal Funds	963,297,422	1,084,481,000	1,025,385,00	(59,096,000)	5.45%	1,125,545,000	1,088,030,000	(37,515,000)	3.33%

1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for WIC depends upon the amount of the discretionary grant appropriated annually by Congress, plus subsequent reallocations of prior year unspent funds. California's share of the federal grant is approximately 18 percent of the national appropriation. Federal funds are granted to each state using a formula methodology as specified in federal regulation to distribute the following:

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

2. Federal Food Grant

Nationally, approximately 67 percent of the federal fiscal year 2020 appropriation is allocated for food and California receives approximately 16 percent of that appropriation. The food allocation for federal fiscal year 2021 will decrease to 66 percent, and California will continue to receive approximately 16 percent of the national 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 2020	\$ 5,000,000,000	\$120,000,000	66.89%	15.54%	\$ 507,201,983
FFY 2021	\$ 4,750,000,000	\$120,000,000	65.98%	15.59%	\$ 476,407,237

The appropriated grant for each fiscal year may be supplemented through federal reallocations which are distributed at least twice and up to four times during the federal fiscal year. These are funds from all state's WIC programs that have not, or will not, be able to expend all 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. 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 2020-21, Food Grant revenue is expected to total \$ 640,954 million, which is a decrease of \$46.1 million or 6.71 percent less when compared to \$687.1 million in the 2021-22 Governor's Budget.

For 2021-22, Food Grant revenue is expected to total \$702,463 million, which is a decrease of \$23.2 million or 3.20 percent less when compared to \$725.7 million in the 2021-22 Governor's Budget.

WIC RESOURCES FOR FOOD			
	FFY 2020	FFY 2021	Prorate to SFY 2020-21
Base Appropriation	\$ 507,201,983	\$ 476,407,237	\$ 484,105,924
Reallocations	\$ 64,000,000	\$ 160,190,619	\$ 136,142,964
Fruit & Vegetables (1 month)	\$ -	\$ 20,704,906	\$ 20,704,906
Total	\$ 571,201,983	\$ 657,302,762	\$ 640,953,794

	FFY 2021	FFY 2022	Prorate to SFY 2021-22
Base Appropriation	\$ 476,407,237	\$ 476,407,237	\$ 476,407,237
Reallocations	\$ 160,190,619	\$ 165,190,619	\$ 163,940,619
Fruit & Vegetables (3 months)	\$ 62,114,718	\$ -	\$ 62,114,718
Total	\$ 698,712,574	\$ 641,597,856	\$ 702,462,574

3. NSA Grant

Approximately 33 percent of the national WIC appropriation for federal fiscal year 2020 was allocated for NSA, and California received approximately 15 percent of that allocation. The NSA allocation for federal fiscal year 2021 will increase to 34 percent; California's share will remain at 15 percent of the national appropriation.

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 2020	\$ 5,000,000,000	\$ 120,000,000	33.11%	15.00%	\$ 242,339,566
FFY 2021	\$ 4,750,000,000	\$ 120,000,000	34.02%	15.01%	\$ 236,446,346

In 2020-21, NSA Grant revenue is expected to total \$384.4 million, which is a decrease of \$13 million or 3.27 percent less when compared to \$397.4 million in the 2021-22 Governor's Budget.

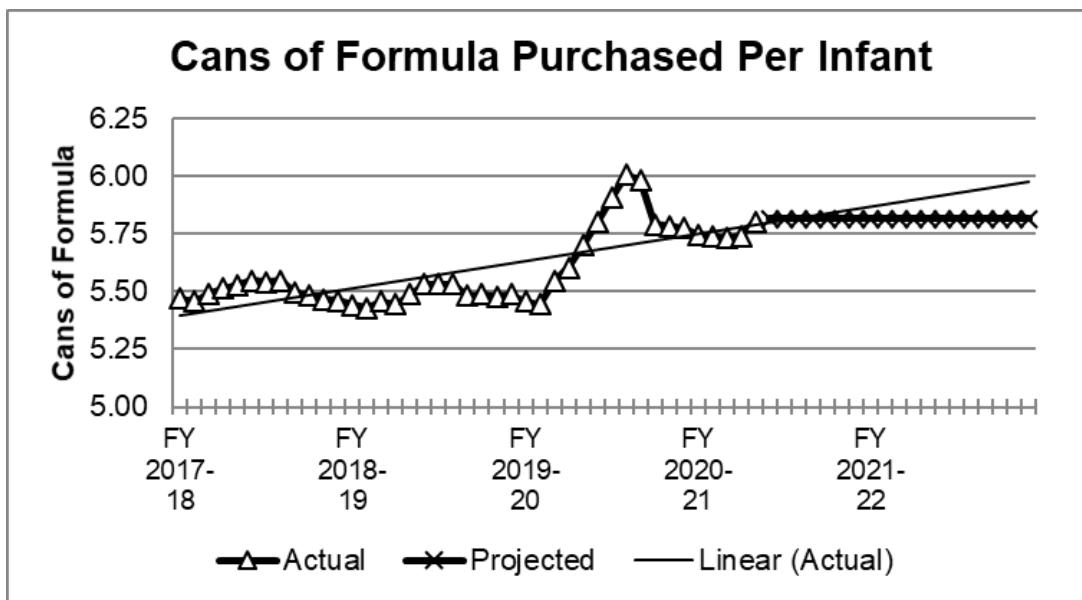
In 2021-22, NSA Grant revenue is expected to total \$385.6 million, which is a decrease of \$14.3 million or 3.57 percent less when compared to \$399.8 million in the 2021-22 Governor's Budget.

WIC RESOURCES FOR NSA			
	FFY 2020	FFY 2021	Prorate to SFY 2020-21
Base Appropriation, NSA	\$ 242,339,566	\$ 236,446,346	\$ 237,919,651
Farmers' Market and Nutrition	\$ 2,063,983	\$ 2,029,244	\$ 2,037,929
Breastfeeding Peer Counseling	\$ 8,364,780	\$ 12,355,529	\$ 11,357,842
Reallocations	\$ 95,909,657	\$ 101,802,877	\$ 100,329,572
Spendforward	\$ 32,343,927	\$ 32,933,063	\$ 32,785,779
Technology Grant	\$ 9,219,498	\$ -	\$ -
Total	\$ 390,241,411	\$ 385,567,059	\$ 384,430,773
	FFY 2021	FFY 2022	Prorate to SFY 2021-22
Base Appropriation, NSA	\$ 236,446,346	\$ 236,446,346	\$ 236,446,346
Farmers' Market and Nutrition	\$ 2,029,244	\$ 2,029,244	\$ 2,029,244
Breastfeeding Peer Counseling	\$ 12,355,529	\$ 12,355,529	\$ 12,355,529
Reallocations	\$ 101,802,877	\$ 101,802,877	\$ 101,802,877
Spendforward	\$ 32,933,063	\$ 32,933,063	\$ 32,933,063
Technology Grant	\$ -	\$ -	\$ -
Total	\$ 385,567,059	\$ 385,567,059	\$ 385,567,059

* 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, WIC receives rebate funds from the contracted infant formula manufacturer. WIC estimates current year infant formula WIC Manufacturer Rebate Fund revenues to total \$203.9 million, an increase of \$7.1 million or 3.63 percent when compared to the 2021-22 Governor's Budget amount of \$196.8 million. In 2021-22, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues will total \$189.9 million, which is an increase of \$15.5 million or 8.9 percent when compared to the 2021-22 Governor's Budget amount of \$174.4 million. While total participation is increasing, participation in the infant category is declining and is the driving factor in the decline in rebate revenue from 2020-21 to 2021-22.



WIC prescribes approximately 5.82 cans of infant formula on average 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 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.