

# **Women, Infants, and Children (WIC)**

**Fiscal Year 2019-20  
November Estimate**



**Karen L. Smith, MD, MPH**  
*Director and State Public Health Officer*

**California Department of Public Health**

## TABLE OF CONTENTS

I. ESTIMATE.....	1
A. Program Overview.....	1
B. Food Expenditures .....	2
1. Current Year .....	2
2. Budget Year.....	3
C. Other Local Assistance and State Operations Projections .....	3
1. Current Year .....	3
2. Budget Year.....	3
D. Fiscal Comparison Summary .....	3
E. Expenditure Methodology/Key Drivers of Cost.....	4
F. Food Expenditure Projections (See Appendix B).....	5
II. FUND CONDITION STATEMENT .....	6
III. ASSUMPTIONS .....	7
1. Future Fiscal Issues .....	7
2. New Assumptions/Premises.....	10
3. Existing (Significantly Changed) Assumptions/Premises.....	11
4. Unchanged Assumptions/Premises.....	11
5. Discontinued Assumptions/Premises .....	11
IV. APPENDICES.....	12
APPENDIX A .....	12
APPENDIX B .....	15
APPENDIX C .....	17
APPENDIX D .....	18
1. Revenue Estimate Methodology Federal Funds: Fund 0890 .....	18
2. Federal Food Grant.....	19
3. NSA Grant .....	20
4. Rebate Funds: WIC Manufacturer Rebate Fund 3023.....	21

## I. ESTIMATE

### A. Program Overview

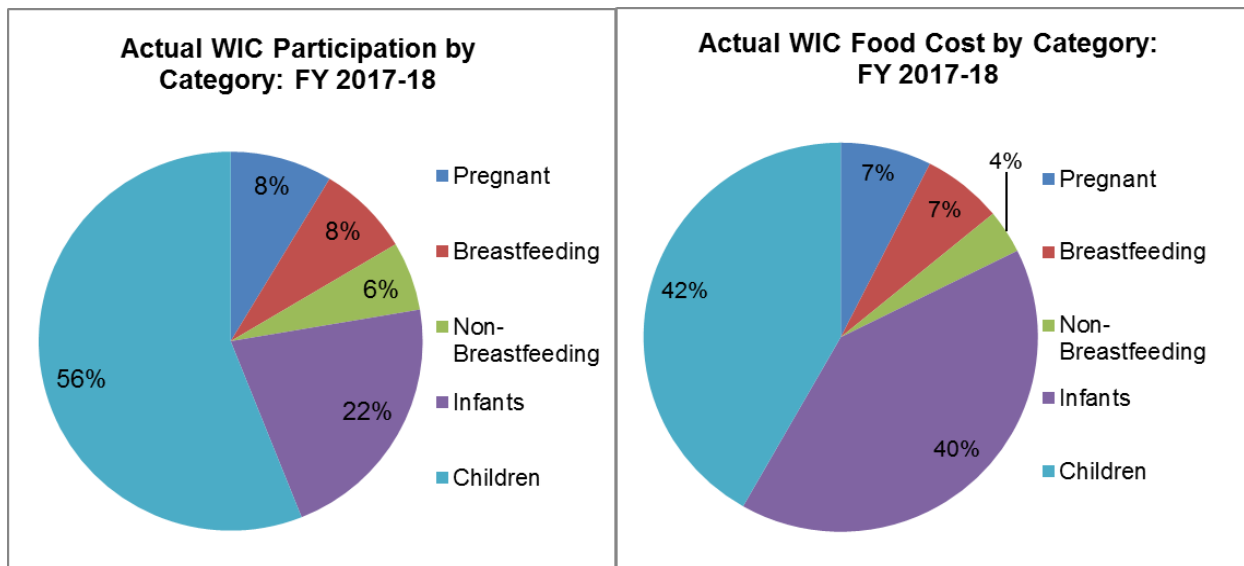
The California Department of Public Health/Women, Infants and Children (CDPH/WIC) Division operates a \$1.2 billion program serving approximately 1 million California residents each month. CDPH receives federal funding to administer the WIC Program based on a discretionary grant appropriated by Congress, plus subsequent reallocations of prior year unspent funds. The WIC Program is not an entitlement program; the number of participants served is limited by the discretionary grant.

The WIC Program provides nutrition services and food assistance for pregnant, breastfeeding, and non-breastfeeding women, infants, and children up to their fifth birthday who are at nutritional risk. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level (equivalent to an annual income of \$30,451 for a family size of two in 2018). WIC Program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and vouchers for specific supplemental foods redeemable at California WIC authorized grocers. The WIC Program is federally funded by the United States Department of Agriculture (USDA) under the federal Child Nutrition Act of 1966 and the Healthy, Hunger-Free Kids Act of 2010, as amended. Specific uses of WIC Program funds are required under federal laws and regulations, and CDPH must report funds and expenditures monthly.

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

The California WIC program will move from paper checks to an Electronic Benefit Card system, called the California WIC Card (the WIC Card) throughout the state beginning in Spring 2019 through Spring 2020. California WIC will replace its current computer system with a modern, web-based system. The new system will allow WIC local agencies to issue food benefits to WIC families electronically in a process similar to a debit card. The California WIC Card will be unique to WIC, separate from the Golden State Advantage card for CalFresh (SNAP) and CalWORKs (TANF).

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 5<sup>th</sup> birthday). Other participant categories are limited to one year of eligibility or less. Infants comprise 22 percent of the participants; however, they represent a higher percent of the food cost (40 percent) due to the higher cost of infant formula compared to other foods provided by the WIC Program. The proportionally higher cost of infant formula reduces the cost shares of the other categories below their participation share (e.g., the cost of the children’s category accounts for 42 percent of food costs despite its 56 percent participation share).

**B. Food Expenditures**

**1. Current Year**

Food Expenditures are comprised of the federal food expenditures and the WIC Manufacturer Rebate food costs. The 2018 Budget Act appropriation provided \$772.1 million (\$542.3 million federal fund and \$229.8 million rebate fund) for food expenditures. The November Estimate anticipates a decrease in food expenditures in Fiscal Year (FY) 2018-19 from \$772.1 million to \$756.6 million (\$527.5 million federal fund and \$229.1 million rebate fund), a decrease of \$15.5 million or 2 percent compared to the 2018 Budget Act appropriation. The decrease in food expenditures is based on a 5.1 percent decline in participation from prior year, offset by an increase in the cash value voucher benefit issued to child participants beginning October 1, 2018. The decrease in participation is also the driving factor in the decrease in projected rebate revenue.

## **2. Budget Year**

For FY 2019-20 CDPH/WIC's food expenditure estimate is \$730 million (\$515 million federal fund and \$214.9 million rebate fund), which is a decrease of \$42.1 million or 5.45 percent as compared to the 2018 Budget Act and a decrease of \$26.6 million or 3.52 percent from the revised 2018-19 food expenditures. The decrease in food expenditures is based on a projected 5.65 percent decline in participation from FY 2018-19, offset by an inflationary increase of 1.97 percent for food cost in the most recent Consumer Price Index (CPI) for Food at Home and increase in the cash value voucher benefit issued to child participants.

## **C. Other Local Assistance and State Operations Projections**

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

### **1. Current Year**

In FY 2018-19, the NSA budget and the anticipated expenditures for local administration are estimated at \$300.9 million, which is the same as the 2018 Budget Act. State Operations expenditures are estimated at \$63.7 million, which is also the same as the 2018 Budget Act. This estimate also includes the budget and the anticipated expenditure projections for transitioning to the WIC Card and implementing the new computer system.

### **2. Budget Year**

In FY 2019-20, there is no change to the local administration expenditure estimate of \$300.9 million. State Operations expenditures decrease by \$1.4 million to \$62.3 million due to the decline in expenditures for the eWIC Electronic Benefit Transfer and 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 funds and WIC Manufacturer Rebate Funds are available to support projected expenditures.

EXPENDITURE COMPARISON (federal funds)								
Fund 0890 Federal Trust Fund	2018 Budget Act	SFY 2018-19				SFY 2019-20		
		2018-19 Governor's Budget	November Estimate	Change from 2018 Budget Act		November Estimate	Change from 2018 Budget Act	
Local Assistance Expenditures	843,150,000	889,131,000	828,388,000	(14,762,000)	-1.75%	815,905,000	(27,245,000)	-3.23%
Food Expenditures (Food Grant)	542,283,000	588,264,000	527,521,000	(14,762,000)	-2.72%	515,038,000	(27,245,000)	-5.02%
Other Local Assistance (NSA Grant)	300,867,000	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
State Operations (NSA Grant)	63,684,000	63,684,000	63,684,000	-	0.00%	62,270,000	(1,414,000)	-2.22%

REVENUE COMPARISON (federal funds)								
Fund 0890 Federal Trust Fund	2018 Budget Act	SFY 2018-19				SFY 2019-20		
		2018-19 Governor's Budget	November Estimate	Change from 2018 Budget Act		November Estimate	Change from 2018 Budget Act	
Total Available Resources	1,047,143,000	1,163,059,000	1,070,127,000	22,984,000	2.19%	1,084,729,000	37,586,000	3.59%
Food Grant	681,552,000	786,027,000	693,871,000	12,319,000	1.81%	719,442,000	37,890,000	5.56%
NSA Grant	365,591,000	377,032,000	376,256,000	10,665,000	2.92%	365,287,000	(304,000)	-0.08%

EXPENDITURE COMPARISON (rebate funds)								
Fund 3023 Manufacturer Rebate	2018 Budget Act	SFY 2018-19				SFY 2019-20		
		2018-19 Governor's Budget	November Estimate	Change from 2018 Budget Act		November Estimate	Change from 2018 Budget Act	
Local Assistance Expenditures	229,772,000	230,852,000	229,080,000	(692,000)	-0.30%	214,929,000	(14,843,000)	-6.46%

REVENUE COMPARISON (rebate funds)								
Fund 3023 Manufacturer Rebate	2018 Budget Act	SFY 2018-19				SFY 2019-20		
		2018-19 Governor's Budget	November Estimate	Change from 2018 Budget Act		November Estimate	Change from 2018 Budget Act	
Total Available Resources	229,772,000	230,852,000	229,080,000	(692,000)	-0.30%	214,929,000	(14,843,000)	-6.46%

**E. Expenditure Methodology/Key Drivers of Cost**

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

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

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

Non-breastfeeding women are eligible for benefits up to six months after the birth of their infants, and receive a supplemental food package to help in rebuilding nutrient stores, especially iron and calcium, and achieving a healthy weight after delivery.

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

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

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

## F. Food Expenditure Projections (See Appendix B)

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

EXPENDITURE COMPARISON (all funds)								
Expenditure Category	2018 Budget Act	SFY 2018-19				SFY 2019-20		
		2018-19 Governor's Budget	November Estimate	Change from 2018 Budget Act		November Estimate	Change from 2018 Budget Act	
Pregnant	53,523,000	56,986,000	53,288,000	(235,000)	-0.44%	49,968,000	(3,555,000)	-6.64%
Breastfeeding	49,616,000	53,586,000	48,079,000	(1,537,000)	-3.10%	46,370,000	(3,246,000)	-6.54%
Non-Breastfeeding	26,252,000	27,618,000	26,375,000	123,000	0.47%	25,348,000	(904,000)	-3.44%
Infants	298,083,000	314,878,000	296,531,000	(1,552,000)	-0.52%	286,410,000	(11,673,000)	-3.92%
Children	322,094,000	342,190,000	305,377,000	(16,717,000)	-5.19%	294,416,000	(27,678,000)	-8.59%
Cash Value Voucher Increase	-	-	4,914,000	4,914,000	100.00%	6,194,000	6,194,000	100.00%
Reserve	22,487,000	23,858,000	22,037,000	(450,000)	-2.00%	21,261,000	(1,226,000)	-5.45%
<b>Total Food Expenditures</b>	<b>772,055,000</b>	<b>819,116,000</b>	<b>756,601,000</b>	<b>(15,454,000)</b>	<b>-2.00%</b>	<b>729,967,000</b>	<b>(42,088,000)</b>	<b>-5.45%</b>
<i>Food Expenditures Paid from Rebate Funds</i>	<i>229,772,000</i>	<i>230,852,000</i>	<i>229,080,000</i>	<i>(692,000)</i>	<i>-0.30%</i>	<i>214,929,000</i>	<i>(14,843,000)</i>	<i>-6.46%</i>
<i>Food Expenditures Paid from Federal Funds</i>	<i>542,283,000</i>	<i>588,264,000</i>	<i>527,521,000</i>	<i>(14,762,000)</i>	<i>-2.72%</i>	<i>515,038,000</i>	<i>(27,245,000)</i>	<i>-5.02%</i>
Other Local Assistance Expenditures (Federal NSA)	300,867,000	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
<b>Total Federal Local Assistance Expenditures (Food + NSA)</b>	<b>843,150,000</b>	<b>889,131,000</b>	<b>828,388,000</b>	<b>(14,762,000)</b>	<b>-1.75%</b>	<b>815,905,000</b>	<b>(27,245,000)</b>	<b>-3.23%</b>
State Operations (Federal NSA)	63,684,000	63,684,000	63,684,000	-	0.00%	62,270,000	(1,414,000)	-2.22%

### Cash Value Voucher Increase

On August 27, 2018, the USDA issued a formal letter to states regarding an inflationary increase to the monthly value of cash value vouchers for fruits and vegetables for child participants. The memorandum increases the cash value benefit issued to all child participants from \$8 to \$9. Child participants represent approximately 56 percent of total participant issued benefits. Given the required implementation date is October 1, 2018, CDPH/WIC estimates the increase to be \$4.9 million in FY 2018-19, and \$6.2 million annually thereafter.

Prudent Reserve for Food Expenditures

A prudent reserve request of 3 percent for food expenditures is revised for current year to \$22 million, which is a decrease of \$450,000 or 2 percent compared to the 2018 Budget Act. The prudent reserve request for FY 2019-20 is \$21.3 million; this is a decrease of \$1.2 million or 5.45 percent compared to the 2018 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 \$2.5 million in allowable breast pump purchases that are projected to be made in each fiscal year using food funds.

**II. FUND CONDITION STATEMENT**

The Fund Condition Statement below shows the status of the WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for FY 2017-18, and projected revenues for FY 2018-19 and FY 2019-20.

<b>FUND CONDITION STATEMENT</b> (dollars in thousands)			
<b>3023 WIC Manufacturer Rebate Fund</b>	<b>SFY 2017-18 Actuals</b>	<b>SFY 2018-19 Estimate</b>	<b>SFY 2019-20 Estimate</b>
BEGINNING BALANCE	254	206	275
Prior Year Adjustments	(206)	-	-
Adjusted Beginning Balance	48	206	275
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	158	69	69
4171600 External Revenue - Federal Government	-	-	-
4172500 Miscellaneous Revenue	233,196	229,080	214,929
Total Revenues, Transfers, and Other Adjustments	233,354	229,149	214,998
Total Resources	233,402	229,355	215,273
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	233,196	229,080	214,929
Total Expenditures and Expenditure Adjustments	233,196	229,080	214,929
<b>FUND BALANCE</b>	<b>206</b>	<b>275</b>	<b>344</b>



### III. ASSUMPTIONS

#### 1. Future Fiscal Issues

##### a. Extending Child Eligibility to Age 6

**Background:** On September 14, 2018, House Democrats reintroduced a bill from 2016 called the “Wise Investment in our Children (WIC) Act.” The WIC Act includes provisions that aim to improve maternal and child health outcomes in the United States by expanding WIC eligibility for at-risk 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 intent of this legislation, if there are sufficient funds, is to cover the nutritional gap for children who have reached the age of maturity in the WIC Program, but who have not yet entered school to be eligible for school meals. Passage of this legislation will give states the option to further ensure continuous support for children’s nutritional needs until they are eligible for school meals.

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

**Discretionary:** Yes.

**Reason for Adjustment/Change:**

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

**Fiscal Impact (Range) and Fund Source(s):** On-going maximum annual cost of approximately \$104 million to Federal Trust Fund (0890). WIC will provide an update on this issue during the FY 2019-20 May Revision.

##### b. One-Time USDA Federal Funding Opportunity to Replace WIC MIS

**Background:** The federal Healthy, Hunger-Free Kids Act of 2010 requires all states to migrate WIC from a paper-based food benefit delivery system to an Electronic Benefit Transfer (EBT) system by October 1, 2020. In addition, federal funding has also been appropriated to assist with new costs associated with implementation. Not meeting this deadline could put California at risk for losing millions of dollars in federal funding for the WIC program. WIC participants currently receive paper vouchers at WIC local agencies, which are redeemed for nutritious foods at WIC-authorized food retailers. With EBT, WIC participants will be issued the WIC Card for purchasing food benefits using store point-of-sale terminals.

The successful implementation of the WIC Card requires a new MIS. The existing system has a number of limitations, but most significantly, lacks the core requirements to integrate the WIC Card issuance into the existing system by October 1, 2020. The new WIC MIS, called WIC Web Information System Exchange (WIC WISE), will replace the existing system in order to meet the federal mandate. The USDA anticipates that there will be sufficient funding available nationwide in MIS Technology Grant Funds to assist with the cost of replacing states' MIS system for EBT capability.

**Description of Change:** CDPH is working with USDA to access approximately \$30.2 million in MIS Technology Grant funds. If awarded, WIC will use these funds to support the one-time costs for MIS replacement in both the current year (\$14.7 million) and in the budget year (\$15.5 million). This additional funding will not replace WIC's current Food or NSA funds. WIC anticipates USDA will award these funds in January 2019.

**Discretionary:** Yes.

**Reason for Adjustment/Change:**

- One time funding opportunity to replace WIC MIS.

**Fiscal Impact (Range) and Fund Source(s):** Potential increase of up to \$30.2 million in revenues and expenditures to the Federal Trust Fund (Fund 0890) in current and budget year.

### **c. Rescission of Unspent Funds – Federal Fiscal Year (FFY) 2019**

**Background:** The President's proposed federal budget calls for a funding level of \$5.75 billion for WIC in the FFY 2019 Agriculture Appropriations bill coupled with a \$215 million rescission of unspent funds from prior year. The House Appropriations Committee's federal budget markup calls for a funding level of \$6 billion with a rescission of \$300 million of unspent funds from prior year. The Senate Appropriations Committee proposed a bill, which calls for a funding level of \$6.15 billion with a rescission of \$400 million of unspent funds from prior year. Since the President, the House and the Senate all call for rescission but at different levels, rescission is likely to be included in any budget bill that is passed.

**Description of Change:** The rescission will not affect the Food grant but it will result in a decrease in funding for the NSA grant for each of the three proposals.

**Discretionary:** No.

**Reason for Adjustment/Change:**

- The Federal budget for WIC that the Legislature and President approve has a major impact on California's NSA funding level.
- The proposed funding levels reflect lower participation levels for states and nationwide, which will result in lower funds remaining for future reallocations.

- Cost containment strategies have helped reduce program costs and rebate revenues are at the highest levels to date.
- WIC participation continues to decline.

**Fiscal Impact (Range) and Fund Source(s):** Potential decrease ranging from \$15.5 million to \$26.5 million for the current state fiscal year to California WIC NSA grant (Federal Trust Fund 0890). There is no fiscal impact on the Food grant.

#### **d. Transition to the California WIC Card**

**Background:** The Project is scheduled to begin pilot operations in Spring 2019 with statewide rollout following soon after and ending in Spring 2020. This will result in a precipitous drop off in voucher, formally called paper food instruments (FI), issuance and redemption as the WIC Card is issued and electronic redemption increases through statewide rollout. The WIC Card rollout will significantly impact how food costs are accounted for in FY 2019-20.

**Description of Change:** We do not currently have data to project whether the fiscal impact of the WIC Card rollout will result in a net increase or decrease in food costs per participant. The WIC Card will likely support easier access and use, but there may be some late adapters to the system. Participant enrollment patterns and inflationary impacts will continue to be applied according to established methodology until data is available to update projections.

**Discretionary:** No.

#### **Reason for Adjustment/Change:**

- The federal mandate for the WIC Card implementation is October 2020.
- Data regarding potential food cost impact in California for WIC Card implementation is not available.

**Fiscal Impact (Range) and Fund Source(s):** Fiscal impact is unknown. The fund that will be impacted is the Federal Trust Fund (Fund 0890).

#### **e. Remove Cost Per Participant Category**

**Background:** The MIS Project is scheduled to begin pilot operations in Spring 2019 with statewide rollout following soon after and ending in Spring 2020. The current process is to issue separate FIs for each covered individual (e.g., post-partum mother, her infant under 1 year of age, and her 3 year old are issued three separate FIs). Once issued a WIC Card, individual participant benefits are then aggregated (co-mingled) with all other benefits issued within a household (i.e., what previously would have been on three separate FIs will all appear on one WIC Card for the family unit). This results in lost capability of reporting food costs on a participant category level.

**Description of Change:** Since we will no longer have the ability to report food cost at the participant category level, we will aggregate participant counts and commensurate food costs at the statewide, per-participant food cost level, regardless of participant category. This will impact reporting of food costs for state fiscal year 2019 and will result in a change in the FY 2020-21 November Estimate.

**Discretionary:** No.

**Reason for Adjustment/Change:**

- The WIC Card is a federally mandated change in benefit issuance with a deadline in 2020.
- The benefit redemption reconciliation process for the WIC Card loses a precise 1:1 accounting of benefit utilization at the participant category level.

**Fiscal Impact (Range) and Fund Source(s):** No fiscal impact; Federal Trust Fund (Fund 0890).

## 2. New Assumptions/Premises

### a. Cash Value Voucher Increase

**Background:** On August 27, 2018, the United States Department of Agriculture (USDA) issued a formal letter to states regarding an inflationary increase to the monthly value of cash value vouchers for fruits and vegetables for child participants. CDPH/WIC staff has since assessed the changes included in the letter and determined that the changes will have an impact on food costs for the CDPH/WIC Program. The memorandum requires an increase to the cash value benefit issued to child participants from \$8 to \$9 to be implemented on October 1, 2018.

**Description of Change:** The estimated impact to current year is \$4.9 million which is due to the required implementation date of October 1, 2018. The ongoing annual impact will be approximately \$6.2 million. The estimated impact has been incorporated into this estimate and is reflected in the total gross food costs.

**Discretionary:** No. This change is required by federal regulations.

**Reason for Adjustment/ Change:**

- Cash value vouchers are issued to all child participants
- Children represent approximately 56 percent of participants issued benefits, per month.
- The increase to the cash benefit is required by federal regulations

**Fiscal Impact (Range) and Fund Source(s):** The increase is calculated at \$1 per projected child participant and the total estimated impact is an increase of \$4.9 million to current year and \$6.2 million to budget year in food costs to Federal Trust Fund

(Fund 0890). Sufficient CDPH/WIC Program funds are available for both years to support this increase.

**3. Existing (Significantly Changed) Assumptions/Premises**

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

**4. Unchanged Assumptions/Premises**

There are no Unchanged Assumptions/Premises at this time.

**5. Discontinued Assumptions/Premises**

There are no Discontinued Assumptions/Premises at this time.

## IV. APPENDICES

### APPENDIX A

#### Rationale and Methodology for Participation and Expenditure Projections

According to the most recent data (Eligibles and Program Reach, 2015, by USDA/Food and Nutrition Service released in February 2018), CDPH/WIC serves 65 percent of eligible Californians (the highest coverage of eligible persons of all state WIC Programs, second nationally behind Puerto Rico), while the national average is 52.7 percent.

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

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

The five participation categories are forecasted separately, based on:

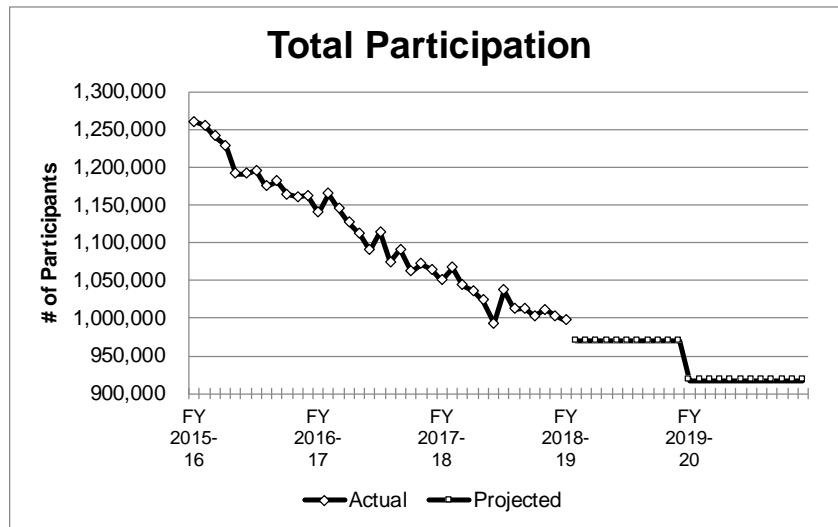
- The participation numbers during the prior year;
- The five-year trend in participation in each category (average of percentage changes over the past five years); and
- The forecasted number of births obtained from the Department of Finance (Finance) (applied to all categories except children).

For each category, the five-year trend in actual participation is applied to the prior year category participation, and 60 percent of the forecasted change in births is added to that number (except for children) to arrive at a final forecast. The births adjustment is based on research showing that 60 percent of all infants born in California were enrolled in WIC by their first birthday (California WIC Association, 2012). Data from Finance's Demographics Research Unit projects births to increase by 0.58 percent in FY 2018-19. 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 2018-19 participation is calculated as a sum of forecasted participation in each participant category. For FY 2017-18, monthly average participation was 1,024,264. CDPH/WIC estimates FY 2018-19 participation will continue to decrease, at a rate of 5.10 percent (compared to 7.28 percent in FY 2017-18). An additional 9,576 monthly child participants for FY 2018-19 were added as a forecasted result of the 2016-17 *Increasing the Enrollment of Children in WIC* proposal. The overall estimated average for FY 2018-19 is projected to be 971,979 participants a month.

The basis for FY 2019-20 forecasts are the FY 2018-19 forecasted totals because actuals are not currently available, along with a projected 0.26 percent decrease in births for that fiscal year . An additional 9,576 monthly child participants for FY 2019-20 were added as a forecasted result of the FY 2016-17 *Increasing the Enrollment of Children in WIC* proposal. CDPH/WIC estimates that FY 2019-20 total participation will continue to decrease, at a rate of 5.65 percent (compared to the forecasted 5.10 percent in FY 2018-19). The overall estimated monthly average is 917,057 for FY 2019-20.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for FY 2018-19, which includes updated actual participation numbers through July 2018.



### Total Food Expenditures

Food expenditures for each participant category are divided by the number of participants in that category to determine the average food cost per participant, which is then adjusted using the CPI projections for Food at Home from the Department of Finance Economic Research Unit. The updated projected CPI rate in FY 2018-19 is 1.55 percent, and for FY 2019-20 is an inflation of 1.97 percent. The projected inflation rate for FY 2018-19 used in the May Revision was 1.06 percent. Historical expenditures and average per participant food costs for FY 2017-18 through May 2018 were used to update projections for FY 2018-19 and FY 2019-20 food costs.

Below is a chart summarizing total actual food cost expenditures for FY 2017-18 and food cost projections for the current and budget years by participant category.

	Factor	SFY 2017-18	SFY 2018-19				SFY 2019-20		
		Actuals	Budget Act 2018	November Estimate	Change from SFY 2017-18 Actuals		November Estimate	Change from SFY 2018-19 in 2018 November Estimate	
Pregnant	Average monthly participation	88,226	82,827	81,841	-6,385	-7.24%	75,258	-6,583	-8.04%
	Average cost per participant	\$ 53.43	\$ 53.85	\$ 54.26	\$ 0.83	1.55%	\$ 55.33	\$ 1.07	1.97%
	Annual Expenditures*	\$ 56,566,980	\$ 53,522,807	\$ 53,288,312	\$ (3,278,668)	-5.80%	\$ 49,968,302	\$ (3,320,010)	-6.23%
Postpartum Breastfeeding Women	Average monthly participation	80,340	79,375	76,345	-3,995	-4.97%	72,201	-4,144	-5.43%
	Average cost per participant	\$ 51.68	\$ 52.09	\$ 52.48	\$ 0.80	1.55%	\$ 53.52	\$ 1.04	1.98%
	Annual Expenditures*	\$ 49,823,652	\$ 49,615,725	\$ 48,079,027	\$ (1,744,625)	-3.50%	\$ 46,370,370	\$ (1,708,657)	-3.55%
Postpartum Non-Breastfeeding Women	Average monthly participation	60,179	57,224	57,060	-3,119	-5.18%	53,777	-3,283	-5.75%
	Average cost per participant	\$ 37.93	\$ 38.23	\$ 38.52	\$ 0.59	1.56%	\$ 39.28	\$ 0.76	1.97%
	Annual Expenditures*	\$ 27,391,068	\$ 26,252,082	\$ 26,375,414	\$ (1,015,654)	-3.71%	\$ 25,348,327	\$ (1,027,087)	-3.89%
Infants	Average monthly participation	221,648	213,459	210,754	-10,894	-4.92%	199,628	-11,126	-5.28%
	Average cost per participant	\$ 115.46	\$ 116.37	\$ 117.25	\$ 1.79	1.55%	\$ 119.56	\$ 2.31	1.97%
	Annual Expenditures*	\$307,097,736	\$298,082,686	\$296,530,878	\$(10,566,858)	-3.44%	\$286,410,284	\$(10,120,594)	-3.41%
Children	Average monthly participation	573,871	580,099	545,979	-27,892	-4.86%	516,193	-29,786	-5.46%
	Average cost per participant	\$ 45.90	\$ 46.27	\$ 46.61	\$ 0.71	1.55%	\$ 47.53	\$ 0.92	1.97%
	Annual Expenditures*	\$316,088,148	\$322,094,169	\$305,376,974	\$(10,711,174)	-3.39%	\$294,415,839	\$(10,961,135)	-3.59%
Total**	Average monthly participation	1,024,264	1,012,984	971,979	-52,285	-5.10%	917,057	-54,922	-5.65%
	Average cost per participant	\$ 61.59	\$ 61.66	\$ 62.56	\$ 0.97	1.58%	\$ 63.84	\$ 1.28	2.05%
	Annual Expenditures*	\$756,967,584	\$749,567,469	\$729,650,605	\$(27,316,979)	-3.61%	\$702,513,122	\$(27,137,483)	-3.72%

\* Numbers rounded to the nearest dollar.

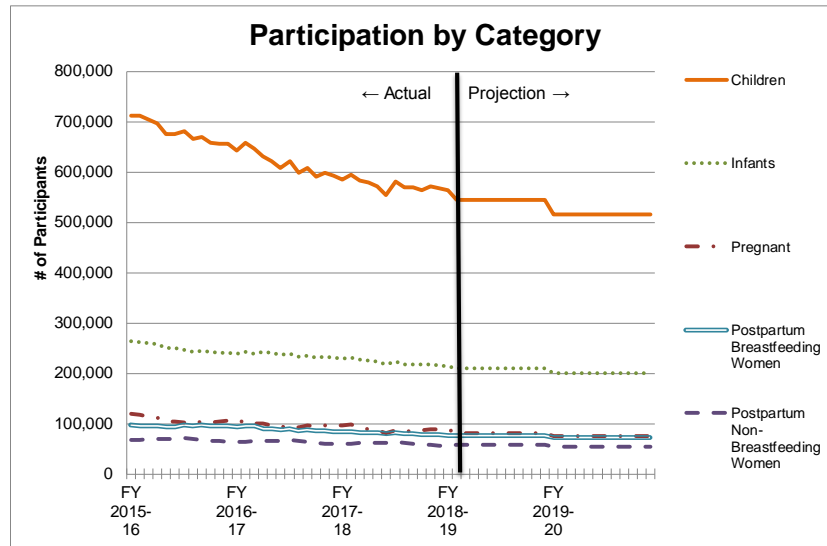
\*\*Does not include 3% Reserve in food expenditures.



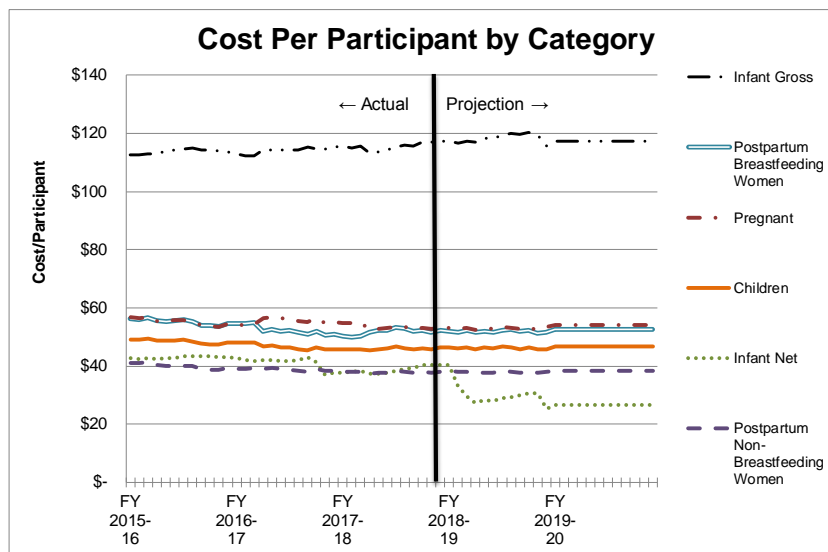
**APPENDIX B**

**Participant and Food Cost Projections by Category**

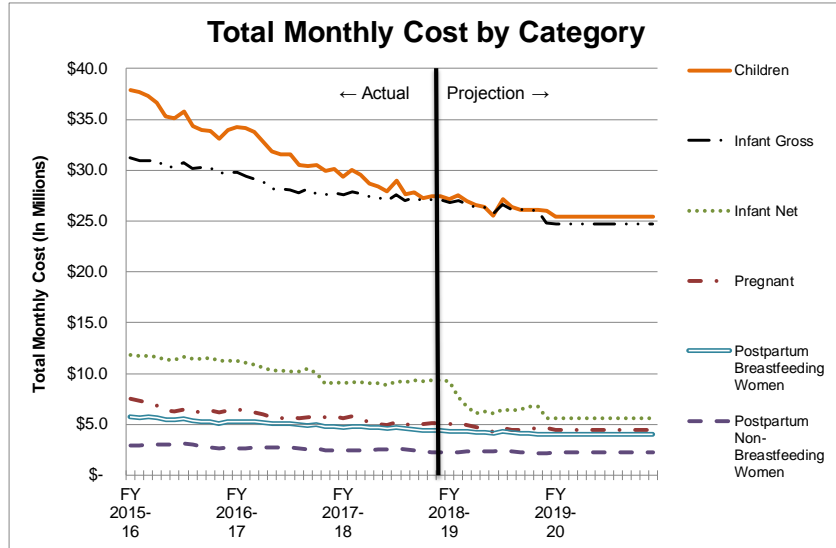
The figure below shows actual and projected participation trends since FY 2015-16. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. Forecasted monthly participation by category is included in the table in Appendix A.



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



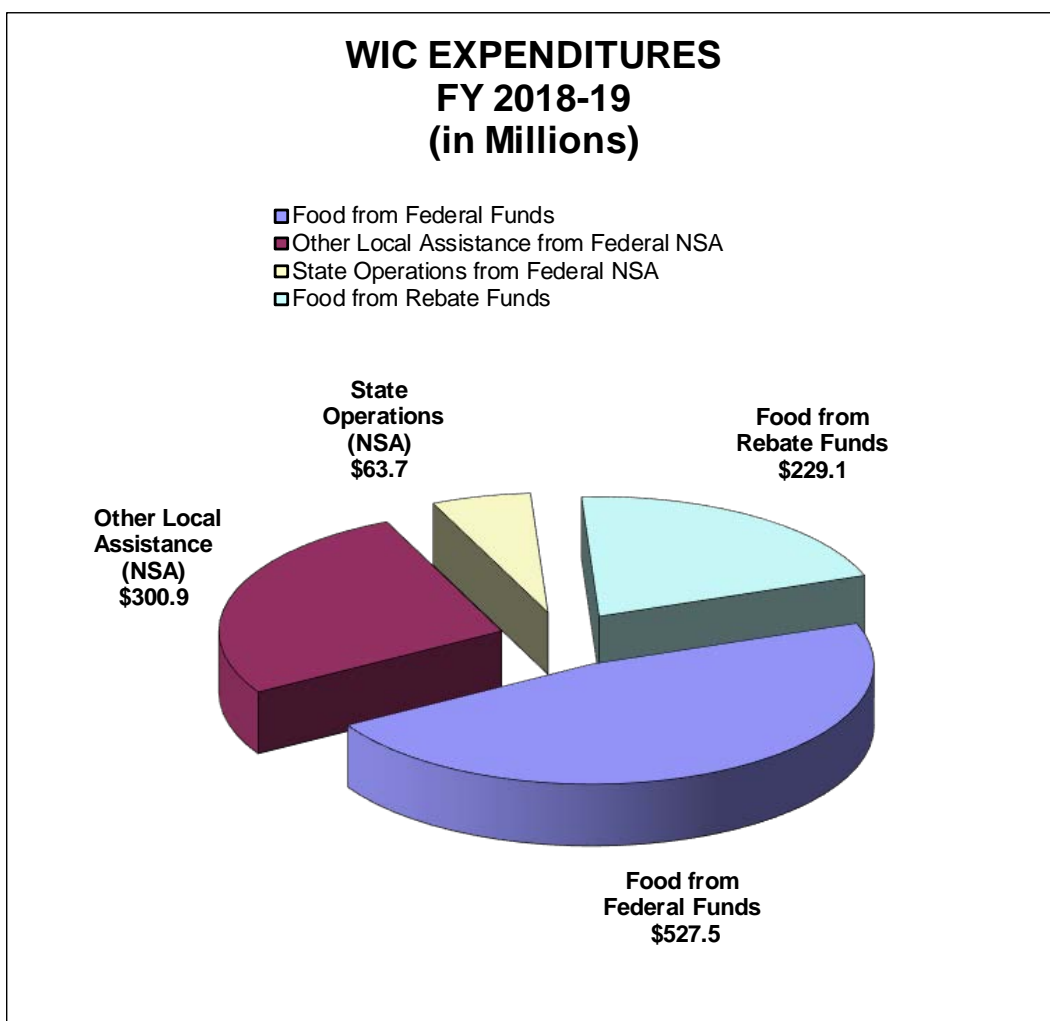
The figure below consolidates the information in the above two figures, and shows total monthly cost by category (forecasted participation times average cost per participant by category).



**APPENDIX C**

**WIC Special Display Chart (Government Code 13343)**

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2017-18 (Actual)	CY SFY 2018-19 (Estimated)	BY SFY 2019-20 (Proposed)
<b>LOCAL ASSISTANCE</b>			
0890 Federal Grant for Food	\$ 546,162,574	\$ 527,521,000	\$ 515,038,000
0890 Federal Grant for Administration	\$ 296,432,414	\$ 300,867,000	\$ 300,867,000
<b>TOTAL FEDERAL TRUST FUND</b>	<b>\$ 842,594,988</b>	<b>\$ 828,388,000</b>	<b>\$ 815,905,000</b>
3023 WIC Manufacturer Rebate Fund	\$ 233,196,250	\$ 229,080,000	\$ 214,929,000
<b>TOTAL LOCAL ASSISTANCE</b>	<b>\$ 1,075,791,238</b>	<b>\$ 1,057,468,000</b>	<b>\$ 1,030,834,000</b>
<b>STATE OPERATIONS</b>			
0890 Federal Grant for State Operations	\$ 54,479,546	\$ 63,684,000	\$ 62,270,000
<b>GRAND TOTAL WIC PROGRAM</b>	<b>\$ 1,130,270,784</b>	<b>\$ 1,121,152,000</b>	<b>\$ 1,093,104,000</b>



**APPENDIX D****Revenue Projections**

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

The federal revenue estimates are revised for FY 2018-19 and total \$1.070 billion, which is an increase of \$23 million or 2.19 percent compared to the \$1.047 billion amount provided in the 2018 Budget Act.

For FY 2019-20, the projected federal revenue will total \$1.085 billion, which is an increase of \$37.6 million or 3.59 percent compared to the 2018 Budget Act amount of \$1.047 billion.

REVENUE COMPARISON (all funds)								
Revenue Source	2017-18 Actual	2018 Budget Act	SFY 2018-19			SFY 2019-20		
			November Estimate	Change from 2018 Budget Act		November Estimate	Change from 2018 Budget Act	
Federal Food Grant	659,375,000	681,552,000	693,871,000	12,319,000	1.81%	719,442,000	37,890,000	5.56%
Rebate Food Funds	233,196,000	229,772,000	231,196,000	1,424,000	0.62%	229,080,000	(692,000)	-0.30%
<b>Total Funds for Food</b>	<b>892,571,000</b>	<b>911,324,000</b>	<b>925,067,000</b>	<b>13,743,000</b>	<b>1.51%</b>	<b>948,522,000</b>	<b>37,198,000</b>	<b>4.08%</b>
Federal NSA Grant	377,578,000	365,591,000	376,256,000	10,665,000	2.92%	365,287,000	(304,000)	-0.08%
<b>Total Federal Funds</b>	<b>1,036,953,000</b>	<b>1,047,143,000</b>	<b>1,070,127,000</b>	<b>22,984,000</b>	<b>2.19%</b>	<b>1,084,729,000</b>	<b>37,586,000</b>	<b>3.59%</b>

### 1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for CDPH/WIC depends upon the amount of the discretionary grant appropriated annually by Congress, plus subsequent reallocations of prior year unspent funds. California's share of the federal grant is approximately 17 percent of the national appropriation. Federal funds are granted to each state using a formula methodology as specified in federal regulation to distribute the following:

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

2. Federal Food Grant

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

<b>FEDERAL REVENUE PROJECTIONS (Food)</b>					
	A	B	C	D	E=(A-B)*C*D
	National Budget Appropriation	Discretionary Funds	Food Allocation	California Share	Total Allocated Food
FFY 2018	\$ 5,375,000,000	\$ 115,000,000	68.57%	17.47%	\$ 630,208,943
FFY 2019	\$ 5,750,000,000	\$ 94,600,000	68.57%	17.47%	\$ 677,582,444

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 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 2018-19, Food Grant revenue is expected to total \$693.9 million, which is an increase of \$12.3 million or 1.81 percent compared to \$681.6 million in the 2018 Budget Act.

In FY 2019-20, Food Grant revenue is expected to total \$719.4 million, which is an increase of \$37.9 million or 5.56 percent compared to \$681.6 million in the 2018 Budget Act.

<b>WIC RESOURCES FOR FOOD</b>			
	FFY 2018	FFY 2019	Prorate to SFY 2018-19
Base Appropriation	\$ 630,208,943	\$ 677,582,444	\$ 665,739,069
Reallocations	\$ 53,096,305	\$ 41,859,368	\$ 44,668,602
Recovery	\$ (66,147,261)	\$ -	\$ (16,536,815)
Total	\$ 617,157,987	\$ 719,441,812	\$ 693,870,856
	FFY 2019	FFY 2020	Prorate to SFY 2019-20
Base Appropriation	\$ 677,582,444	\$ 677,582,444	\$ 677,582,444
Reallocations	\$ 41,859,368	\$ 41,859,368	\$ 41,859,368
Total	\$ 719,441,812	\$ 719,441,812	\$ 719,441,812

3. NSA Grant

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

<b>FEDERAL REVENUE PROJECTIONS (NSA)</b>					
	A	B	C	D	E=(A-B)*C*D
	National Budget Appropriation	Discretionary Funds	NSA Allocation	California Share	Total Allocated NSA
FFY 2018	\$ 5,375,000,000	\$ 115,000,000	31.43%	16.36%	\$ 270,399,145
FFY 2019	\$ 5,750,000,000	\$ 94,600,000	31.43%	16.36%	\$ 290,725,347

In FY 2018-19, NSA Grant revenue is expected to total \$376.3 million, which is an increase of \$10.7 million or 2.92 percent compared to \$365.6 million in the 2018 Budget Act.

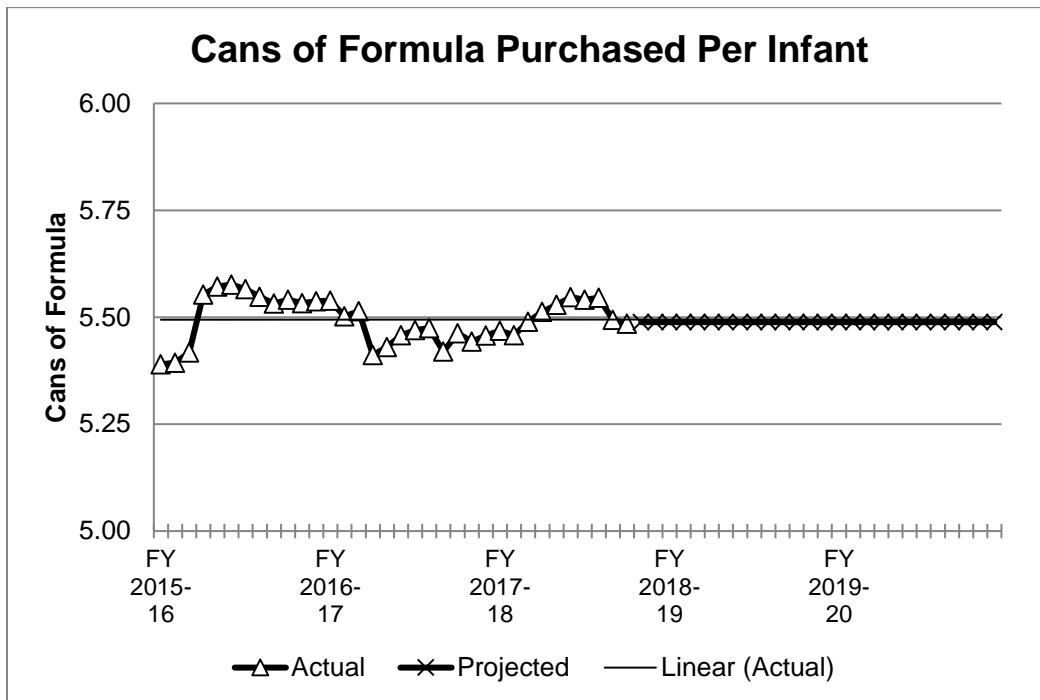
In FY 2019-20, NSA Grant revenue is expected to total \$365.3 million, which is a decrease of \$304,000 or 0.08 percent compared to \$365.6 million in the 2018 Budget Act.

<b>WIC RESOURCES FOR NSA</b>			
	FFY 2018	FFY 2019	Prorate to SFY 2018-19
Base Appropriation, NSA*	\$ 256,879,188	\$ 276,189,080	\$ 271,361,607
Farmers' Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 8,731,149	\$ 8,364,780	\$ 8,456,372
Reallocations	\$ 70,520,682	\$ 35,710,646	\$ 44,413,155
Spendforward	\$ 39,285,542	\$ 33,971,295	\$ 35,299,857
Technology Grant	\$ -	\$ 19,950,988	\$ 14,661,061
<b>Total</b>	<b>\$ 377,480,544</b>	<b>\$ 376,250,772</b>	<b>\$ 376,256,035</b>
	FFY 2019	FFY 2020	Prorate to SFY 2019-20
Base Appropriation, NSA*	\$ 276,189,080	\$ 276,189,080	\$ 276,189,080
Farmers' Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 8,364,780	\$ 8,364,780	\$ 8,364,780
Reallocations	\$ 35,710,646	\$ 35,710,646	\$ 35,710,646
Spendforward	\$ 33,971,295	\$ 23,951,762	\$ 27,456,645
Technology Grant	\$ 19,950,988	\$ 10,211,961	\$ 15,501,888
<b>Total</b>	<b>\$ 376,250,772</b>	<b>\$ 356,492,212</b>	<b>\$ 365,287,022</b>

\* 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 \$229.1 million, a decrease of \$692,000 or 0.30 percent compared to the 2018 Budget Act amount of \$229.8 million. In FY 2019-20, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues to total \$214.9 million, which is a decrease of \$14.8 million or 6.46 percent compared to the 2018 Budget Act amount of \$229.8 million.



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.