

Women, Infants, and Children (WIC)

**Fiscal Year 2019-20
May Revision Estimate**



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I. ESTIMATE

A. Program Overview

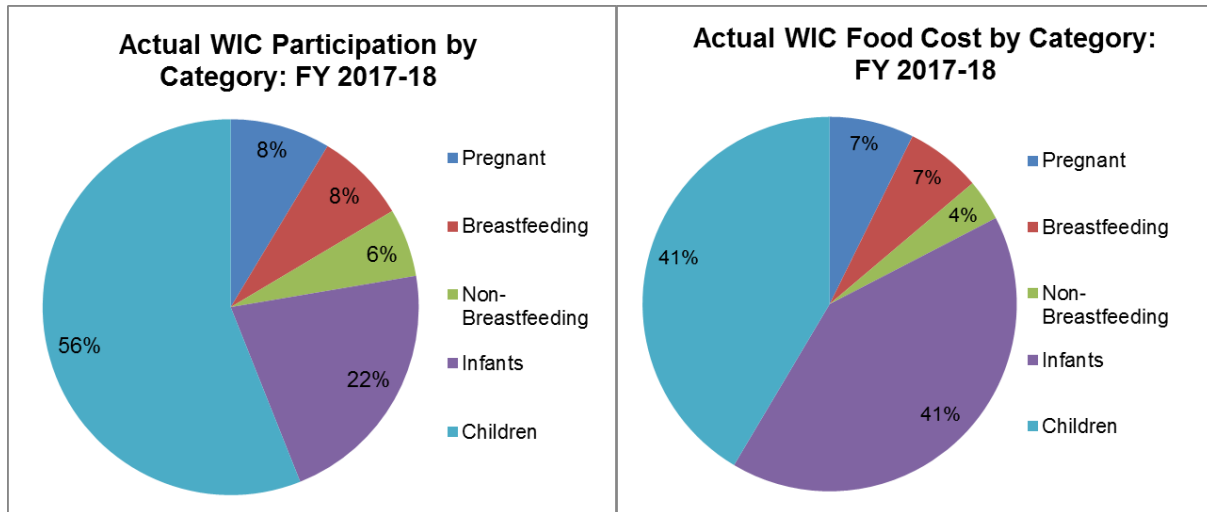
The California Department of Public Health/Women, Infants and Children (Public Health/WIC) Division operates a \$1.1 billion program serving approximately 1 million California residents each month. Public Health receives federal funding to administer the WIC Program based on a discretionary grant appropriated 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 Public Health 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. Public Health 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 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 5th 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 (41 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 41 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 Fiscal Year (FY) 2019-20 Governor’s Budget estimated \$756.6 million (\$527.5 million federal fund and \$229.1 million rebate fund) for food expenditures for FY 2018-19. This May Revision Estimate anticipates revised FY 2018-19 expenditures level of \$745.3 million (\$519.1 million federal fund and \$226.2 million rebate fund), which is a decrease of \$11.3 million or 1.49 percent compared to the FY 2019-20 Governor’s Budget amount of \$756.6 million.

The decrease in food expenditure is based on a decline in participation projections, which is a 6.32 percent decline compared with the FY 2019-20 Governor’s Budget projection of 5.1 percent. In addition, the revised Consumer Price Index (CPI) projections and methodology change result in a projected 0.07 percent inflation (compared to 1.55 percent used in the FY 2019-20 Governor’s Budget). The decline in participation is also the driving factor in the decrease in rebate revenue resulting in a decrease in projected rebate food expenditures.

2. Budget Year

The FY 2019-20 Governor's Budget proposal estimated \$730 million (\$515 million federal fund and \$214.9 million rebate fund) for food expenditures. This May Revision anticipates revised FY 2019-20 expenditure levels of \$717.3 million (\$503.6 million federal fund and \$213.7 million rebate fund), which is a decrease of \$12.7 million or 1.73 percent compared to the FY 2019-20 Governor's Budget. This consists of a federal food expenditure decrease of \$11.4 million and a rebate food expenditure decrease of \$1.3 million.

The decrease in food expenditure is primarily driven by the decrease in participation projections for current year. The new Change in Inflation Rate for Food at Home assumption resulted in lower projected inflation rates (0.07 percent in FY 2018-19 and 1.72 percent in FY 2019-20 versus 1.55 percent and 1.97 percent respectively in the FY 2019-20 Governor's Budget) that also contribute to the food expenditure decrease. The decline in participation is also the driving factor in the decrease in rebate revenue resulting in a decrease in projected rebate expenditures.

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, including Technology Grant Funds, 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 Public Health 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 \$319.4 million, which is an increase of \$18.5 million from the FY 2019-20 Governor's Budget amount of \$300.9 million, due to the anticipated expenditure projections for transitioning to the WIC Card and implementing the new computer system. State Operations expenditures are estimated at \$63.7 million, which is also the same as the FY 2019-20 Governor's Budget.

2. Budget Year

In FY 2019-20, the local administration expenditures are estimated at \$314.8 million, which is an increase of \$13.9 million from the FY 2019-20 Governor's Budget amount of \$300.9 million, due to the anticipated expenditure projections for transitioning to the WIC Card and implementing the new computer system. State Operations expenditures are estimated at \$62.3 million, which is also the same as the FY 2019-20 Governor's Budget.

D. Fiscal Comparison Summary

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

EXPENDITURE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	2018 Budget Act	SFY 2018-19				SFY 2019-20			
		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget	
Local Assistance Expenditures	843,150,000	828,388,000	838,489,000	10,101,000	1.22%	815,905,000	818,462,000	2,557,000	0.31%
Food Expenditures (Food Grant)	542,283,000	527,521,000	519,085,000	(8,436,000)	-1.60%	515,038,000	503,628,000	(11,410,000)	-2.22%
Other Local Assistance (NSA Grant)	300,867,000	300,867,000	319,404,000	18,537,000	6.16%	300,867,000	314,834,000	13,967,000	4.64%
State Operations (NSA Grant)	63,684,000	63,684,000	63,684,000	-	0.00%	62,270,000	62,270,000	-	0.00%

REVENUE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	2018 Budget Act	SFY 2018-19				SFY 2019-20			
		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget	
Total Available Resources	1,070,127,000	1,070,127,000	1,012,510,000	(57,617,000)	-5.38%	1,084,729,000	1,006,595,000	(78,134,000)	-7.20%
Food Grant	693,871,000	693,871,000	623,638,000	(70,233,000)	-10.12%	719,442,000	625,798,000	(93,644,000)	-13.02%
NSA Grant	376,256,000	376,256,000	388,872,000	12,616,000	3.35%	365,287,000	380,797,000	15,510,000	4.25%

EXPENDITURE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	2018 Budget Act	SFY 2018-19				SFY 2019-20			
		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget	
Local Assistance Expenditures	229,772,000	229,080,000	226,211,000	(2,869,000)	-1.25%	214,929,000	213,678,000	(1,251,000)	-0.58%

REVENUE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	2018 Budget Act	SFY 2018-19				SFY 2019-20			
		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget	
Total Available Resources	229,772,000	229,080,000	226,211,000	(2,869,000)	-1.25%	214,929,000	213,678,000	(1,251,000)	-0.58%

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 Public Health WIC for Local Assistance and State Operations.

EXPENDITURE COMPARISON (all funds)									
Expenditure Category	2018 Budget Act	SFY 2018-19				SFY 2019-20			
		2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget	2019-20 Governor's Budget	2019 May Revision	Change from 2019-20 Governor's Budget		
Pregnant	53,523,000	53,288,000	51,404,000	(1,884,000)	-3.54%	49,968,000	48,049,000	(1,919,000)	-3.84%
Breastfeeding	49,616,000	48,079,000	46,333,000	(1,746,000)	-3.63%	46,370,000	44,537,000	(1,833,000)	-3.95%
Non-Breastfeeding	26,252,000	26,375,000	25,558,000	(817,000)	-3.10%	25,348,000	24,476,000	(872,000)	-3.44%
Infants	298,083,000	296,531,000	295,452,000	(1,079,000)	-0.36%	286,410,000	284,590,000	(1,820,000)	-0.64%
Children	322,094,000	305,377,000	299,973,000	(5,404,000)	-1.77%	294,416,000	288,568,000	(5,848,000)	-1.99%
Cash Value Voucher Increase	-	4,914,000	4,868,000	(46,000)	-0.94%	6,194,000	6,194,000	-	0.00%
Reserve	22,487,000	22,037,000	21,708,000	(329,000)	-1.49%	21,261,000	20,892,000	(369,000)	-1.74%
Total Food Expenditures	772,055,000	756,601,000	745,296,000	(11,305,000)	-1.49%	729,967,000	717,306,000	(12,661,000)	-1.73%
<i>Food Expenditures Paid from Rebate Funds</i>	<i>229,772,000</i>	<i>229,080,000</i>	<i>226,211,000</i>	<i>(2,869,000)</i>	<i>-1.25%</i>	<i>214,929,000</i>	<i>213,678,000</i>	<i>(1,251,000)</i>	<i>-0.58%</i>
<i>Food Expenditures Paid from Federal Funds</i>	<i>542,283,000</i>	<i>527,521,000</i>	<i>519,085,000</i>	<i>(8,436,000)</i>	<i>-1.60%</i>	<i>515,038,000</i>	<i>503,628,000</i>	<i>(11,410,000)</i>	<i>-2.22%</i>
Other Local Assistance Expenditures (Federal NSA)	300,867,000	300,867,000	319,404,000	18,537,000	6.16%	300,867,000	314,834,000	13,967,000	4.64%
Total Federal Local Assistance Expenditures (Food + NSA)	843,150,000	828,388,000	838,489,000	10,101,000	1.22%	815,905,000	818,462,000	2,557,000	0.31%
State Operations (Federal NSA)	63,684,000	63,684,000	63,684,000	-	0.00%	62,270,000	62,270,000	-	0.00%

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 was October 1, 2018, Public Health 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 \$21.7 million, which is a decrease of \$329,000 or 1.49 percent compared to the FY 2019-20 Governor's Budget. The prudent reserve request for FY 2019-20 is revised to \$20.9 million, which is a decrease of \$369,000 or 1.74 percent compared to the FY 2019-20 Governor's Budget.

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

II. FUND CONDITION STATEMENT

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

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 2017-18 Actuals	SFY 2018-19 Estimate	SFY 2019-20 Estimate
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	226,211	213,678
Total Revenues, Transfers, and Other Adjustments	233,354	226,280	213,747
Total Resources	233,402	226,486	214,022
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	233,196	226,211	213,678
Total Expenditures and Expenditure Adjustments	233,196	226,211	213,678
FUND BALANCE	206	275	344

III. ASSUMPTIONS

1. Future Fiscal Issues

a. Transition to the California WIC Card

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 California, the work effort to transition to EBT is called the eWIC Project. The eWIC 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) 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: There is no 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).

b. Remove Cost Per Participant category

Background: The eWIC 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 Food Instruments (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, Public Health WIC 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 FY 2019-20 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. Rescission of Unspent Funds – Federal Fiscal Year (FFY) 2019

Background: The federal budget for FFY 2019 represents a compromise between the House and Senate appropriations bills that were drafted last summer. It includes \$6.075 billion for WIC in FFY 2019 coupled with a \$500 million rescission of unspent funds from prior year.

Description of Change: The FFY 2019 final appropriation resulted in a final Food grant that is less than was projected in the 2019-20 Governor's Budget. However, California did not receive a reduction in its base Food grant from prior year and projects this amount is more than sufficient to meet projected need for food expenditures. The rescission did not impact current year Nutrition Services and Administration (NSA) grant.

Discretionary: No.

Reason for Adjustment/Change:

- The funding level reflects 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): Reduction in projected Food grant revenue for FY 2018-19 in the amount of \$70.2 million and for FY 2019-20 \$93.6 million compared with the 2019-20 Governor's Budget (Federal Trust Fund 0890).

b. One-Time United States Department of Agriculture (USDA) Federal Funding Opportunity to Replace WIC MIS

Background: The federal Healthy, Hunger-Free Kids Act of 2010 requires all states to migrate WIC benefits from a paper-based food benefit delivery system to an EBT system by October 1, 2020. In addition, federal funding has been appropriated to assist with new costs associated with implementation. Not meeting the 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 Management Information System (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 legacy MIS system in order to meet the federal mandate. The USDA anticipates that there will be sufficient funding available nationwide in Technology Grant Funds to assist with the cost of replacing states' MIS system for EBT capability.

Description of Change: In the FY 2019-20 November Estimate, WIC anticipated \$30.2 million in Technology Grant funds; however, the final amount authorized was reduced to \$27.5 million (\$26.0 million MIS and \$1.5 million EBT). On December 31, 2018, WIC applied to USDA for \$27.5 million in MIS and EBT Technology Grant funds and on February 14, 2019, USDA formally approved both grant applications and has awarded the funds. WIC will use these funds to support the one-time costs for MIS replacement in both the current year (\$13.5 million) and in the budget year (\$14.0 million). This additional funding will not replace WIC's current Food or NSA funds.

Discretionary: Yes.

Reason for Adjustment/Change:

- One time funding opportunity to replace WIC MIS.

Fiscal Impact (Range) and Fund Source(s): Increase of \$13.5 million and \$14.0 million in revenues and expenditures to the Federal Trust Fund (Fund 0890) in current and budget year.

c. Change in Inflation Rate Projection for Food at Home

Background: Starting with 2018 data, the California Department of Finance, Economic Research Unit (DOF ERU) began using price data collected from the Riverside and San Diego areas of California in its calculation of projected Consumer Price Index (CPI),

which Public Health WIC uses to estimate food inflation. In January 2019, the DOF ERU provided the formula for including these new areas in the weighting formula for statewide CPI for the Food at Home component of the CPI.

Description of Change: The former weighting formula used in the 2019-20 Governor's Budget was:

$$[(\text{Food at Home Los Angeles} \times .68) + (\text{Food at Home San Francisco} \times .32)] \times 1.0023.$$

The new weighting formula to be used in the FY 2019-20 May Revision Estimate, and all further budget estimates until further notice, will be:

$$[(\text{Food at Home Los Angeles} \times .52) + (\text{Food at Home San Francisco} \times .18) + (\text{Food at Home San Diego} \times .13) + (\text{Food at Home Riverside} \times .17 \times 2.59220)] \times 0.9982.$$

The change to the weighted Food at Home inflation calculation will result in a decrease of 0.45 percent in FY 2018-19 from 0.52 percent to 0.07 percent and a decrease of 0.26 percent for FY 2019-20 from 1.99 percent to 1.73 percent.

Discretionary: No. The change was made by the DOF ERU based on increased data availability.

Reason for Adjustment/Change:

- More information is available to more accurately calculate CPI across California.
- The update to the weighting formula was made by the DOF ERU and Public Health/WIC is incorporating the change into this budget estimate for consistency across state departments.

Fiscal Impact (Range) and Fund Source(s): Projected impact is a decrease of \$3.2 million for FY 2018-19 and a decrease of \$4.9 million for FY 2019-20 to Federal Trust Fund (Fund 0890).

3. Existing (Significantly Changed) Assumptions/Premises

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

4. Unchanged Assumptions/Premises

a. Cash Value Voucher Increase

Background: 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. Public Health/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 California 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 will reflect 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 WIC Program funds are available for both years to support this increase.

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, 2016, by USDA/Food and Nutrition Service released in February 2019), the California WIC Program serves 65.6 percent of eligible Californians (the second highest coverage of eligible persons of all state WIC Programs, third nationally behind Puerto Rico and Maryland), while the national average is 54.5 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 Public Health/WIC.

Participation in the WIC Program is the main driver 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 Demographics Research Unit (DOF DRU) (applied to all categories except children).

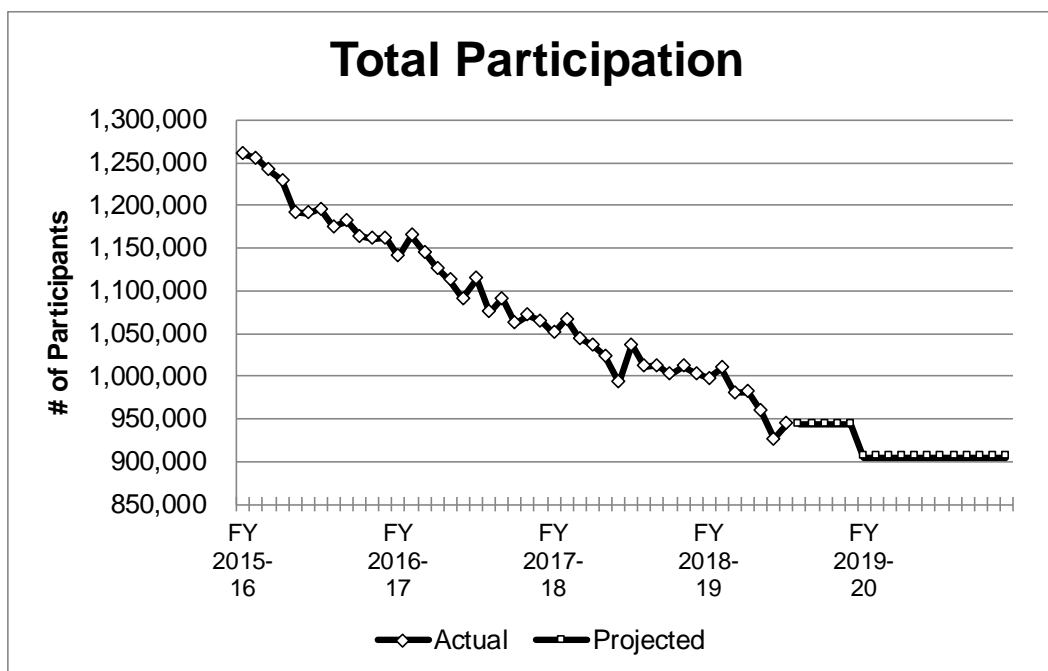
For each category, the five-year trend in actual participation is applied to the prior year category participation, and 60 percent of the forecasted change in births is added to that number (except for children) to arrive at a final forecast. The births adjustment is based on research showing that 60 percent of all infants born in California were enrolled in WIC by their first birthday (California WIC Association, 2012). Recently updated data from the DOF DRU projects births to decrease by 0.46 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. Public Health/WIC estimates FY 2018-19 participation will continue to decrease, at a rate of 6.32 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 FY 2016-17 *Increasing the Enrollment of Children in WIC*

proposal. The overall estimated average for FY 2018-19 is projected to be 959,513 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 0.48 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. Public Health/WIC estimates that FY 2019-20 total participation will continue to decrease, at a rate of 5.66 percent (compared to the forecasted 6.32 percent in FY 2018-19). The overall estimated monthly average is 905,182 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 January 2019.



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 DOF ERU. The updated projected CPI rate in FY 2018-19 is 0.07 percent, and for FY 2019-20 is an inflation of 1.72 percent. The projected inflation rates used in the November Estimate were 1.55 percent for FY 2018-19 and 1.97 percent for FY 2019-20. Historical expenditures and updated average per participant food costs for FY 2017-18 from June 2018 and FY 2018-19 through October 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	2019-20 Governor's Budget	2019 May Revision	Change from SFY 2017-18 Actuals		2019 May Revision	Change from SFY 2018-19 in 2019 May Revision		
Pregnant	Average monthly participation	88,226	81,841	80,885	-7,341	-8.32%	74,329	-6,556	-8.11%
	Average cost per participant	\$ 52.92	\$ 54.26	\$ 52.96	\$ 0.04	0.07%	\$ 53.87	\$ 0.91	1.72%
	Annual Expenditures*	\$ 56,030,940	\$ 53,288,312	\$ 51,404,035	\$ (4,626,905)	-8.26%	\$ 48,049,239	\$ (3,354,796)	-6.53%
Postpartum Breastfeeding Women	Average monthly participation	80,340	76,345	74,295	-6,045	-7.52%	70,212	-4,083	-5.50%
	Average cost per participant	\$ 51.93	\$ 52.48	\$ 51.97	\$ 0.04	0.08%	\$ 52.86	\$ 0.89	1.71%
	Annual Expenditures*	\$ 50,061,972	\$ 48,079,027	\$ 46,333,334	\$ (3,728,638)	-7.45%	\$ 44,536,876	\$ (1,796,458)	-3.88%
Postpartum Non-Breastfeeding Women	Average monthly participation	60,179	57,060	56,121	-4,058	-6.74%	52,842	-3,279	-5.84%
	Average cost per participant	\$ 37.92	\$ 38.52	\$ 37.95	\$ 0.03	0.07%	\$ 38.60	\$ 0.65	1.71%
	Annual Expenditures*	\$ 27,386,928	\$ 26,375,414	\$ 25,557,503	\$ (1,829,425)	-6.68%	\$ 24,476,414	\$ (1,081,089)	-4.23%
Infants	Average monthly participation	221,648	210,754	207,370	-14,278	-6.44%	196,372	-10,998	-5.30%
	Average cost per participant	\$ 118.65	\$ 117.25	\$ 118.73	\$ 0.08	0.07%	\$ 120.77	\$ 2.04	1.72%
	Annual Expenditures*	\$315,569,820	\$296,530,878	\$295,452,481	\$ (20,117,339)	-6.37%	\$284,590,157	\$ (10,862,324)	-3.68%
Children	Average monthly participation	573,871	545,979	540,843	-33,028	-5.76%	511,427	-29,416	-5.44%
	Average cost per participant	\$ 46.19	\$ 46.61	\$ 46.22	\$ 0.03	0.07%	\$ 47.02	\$ 0.80	1.73%
	Annual Expenditures*	\$318,082,752	\$305,376,974	\$299,973,162	\$ (18,109,590)	-5.69%	\$288,567,570	\$ (11,405,592)	-3.80%
Total**	Average monthly participation	1,024,264	971,979	959,514	-64,750	-6.32%	905,182	-54,332	-5.66%
	Average cost per participant	\$ 62.41	\$ 62.56	\$ 62.42	\$ 0.01	0.01%	\$ 63.54	\$ 1.12	1.80%
	Annual Expenditures*	\$767,132,412	\$729,650,605	\$718,720,515	\$ (48,411,897)	-6.31%	\$690,220,256	\$ (28,500,259)	-3.97%

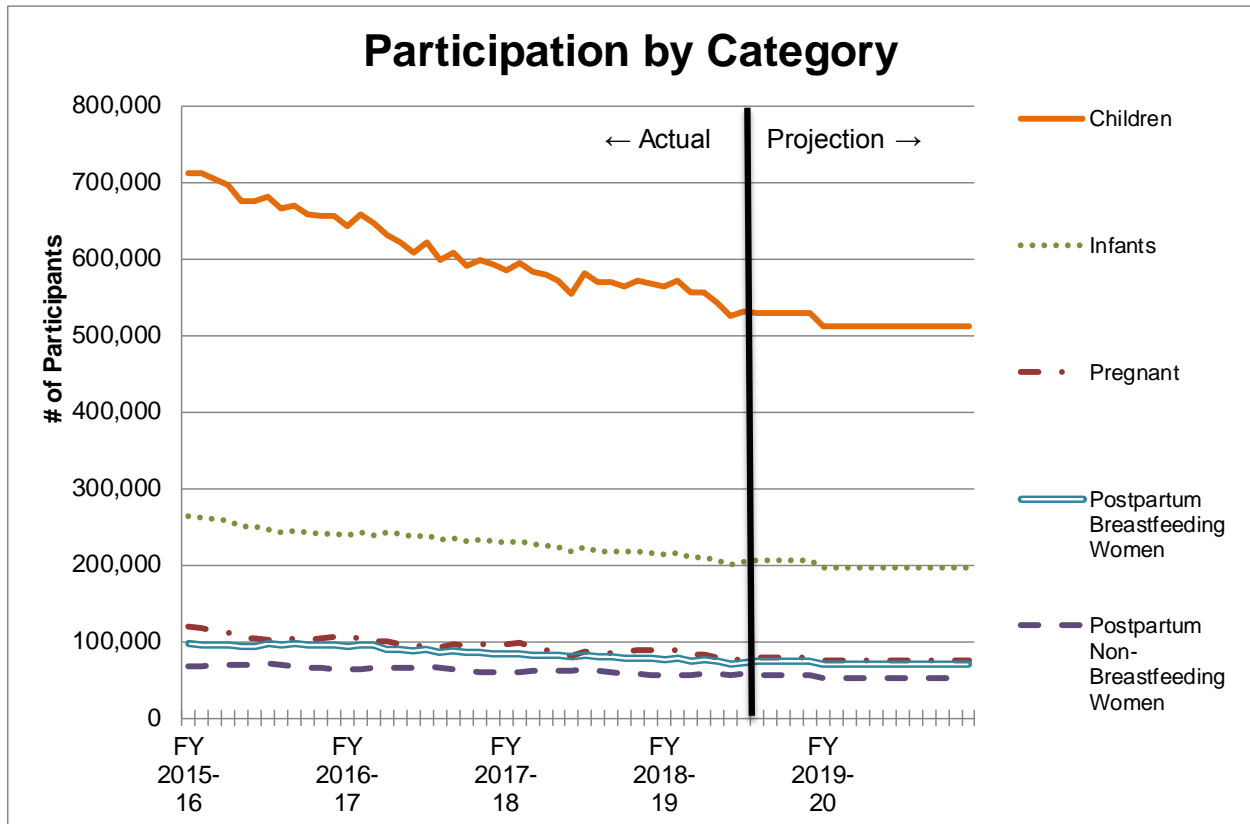
* Numbers rounded to the nearest dollar.

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

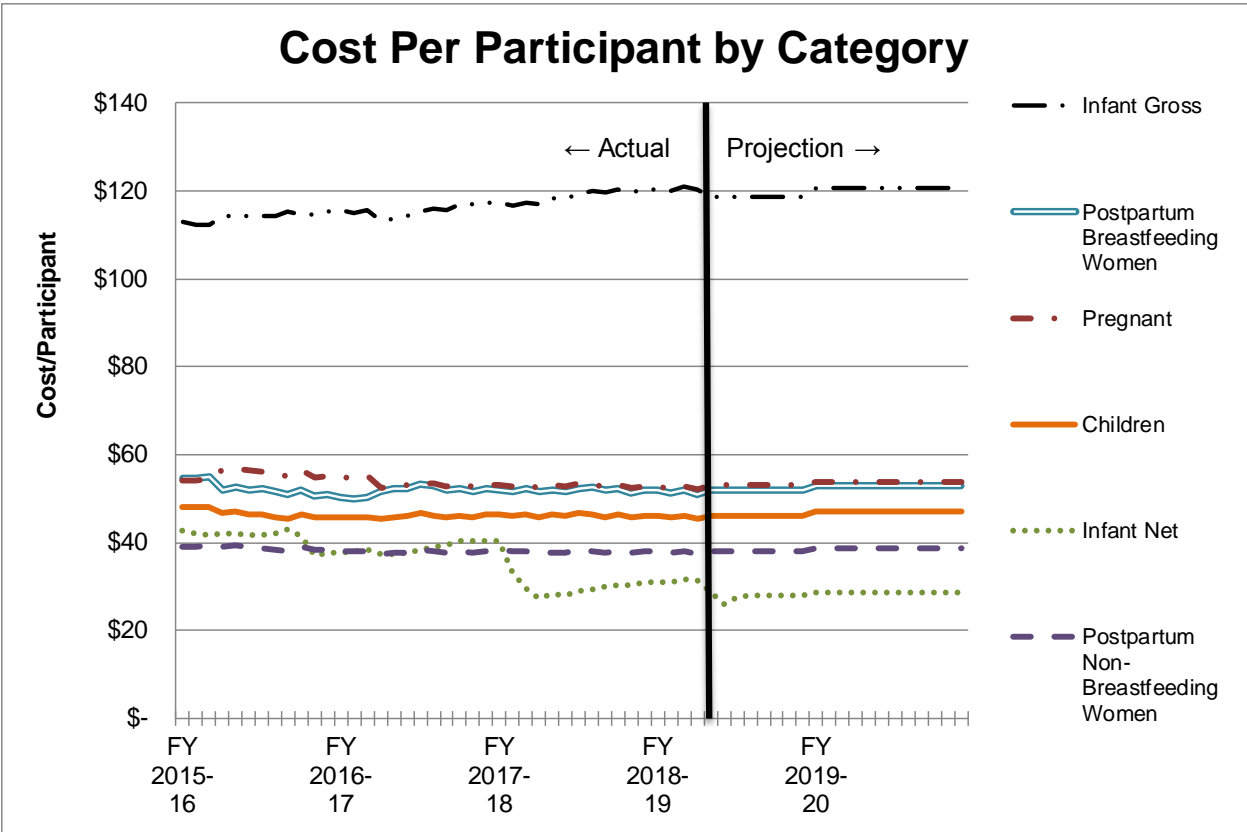
APPENDIX B

Participant and Food Cost Projections by Category

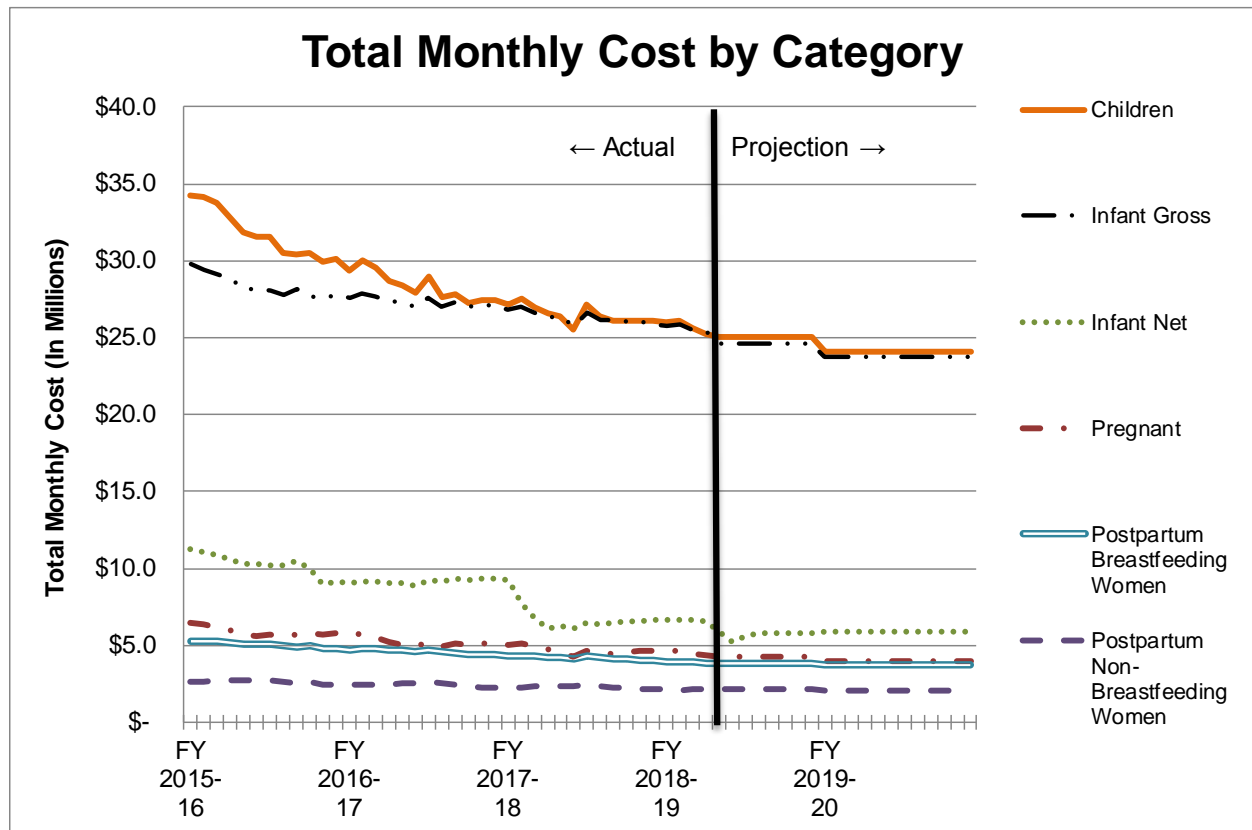
The figure below shows actual and projected participation trends since FY 2015-16. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. Forecasted monthly participation by category is included in the table in Appendix A.



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



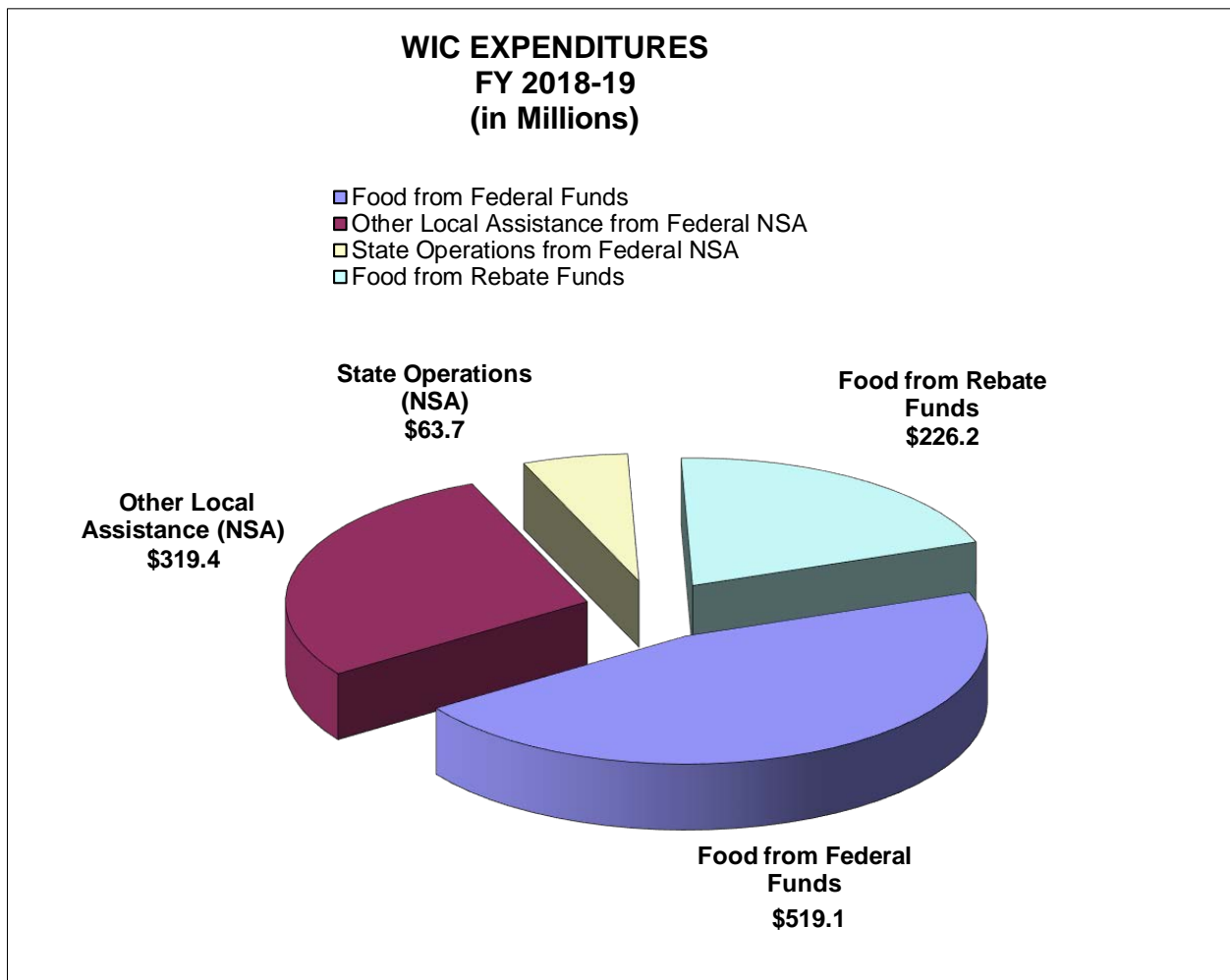
The figure below consolidates the information in the above two figures, and shows total monthly cost by category (forecasted participation times average cost per participant by category).



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)
LOCAL ASSISTANCE			
0890 Federal Grant for Food	\$ 546,162,574	\$ 519,085,000	\$ 503,628,000
0890 Federal Grant for Administration	\$ 296,432,414	\$ 319,404,000	\$ 314,834,000
TOTAL FEDERAL TRUST FUND	\$ 842,594,988	\$ 838,489,000	\$ 818,462,000
3023 WIC Manufacturer Rebate Fund	\$ 233,196,250	\$ 226,211,000	\$ 213,678,000
TOTAL LOCAL ASSISTANCE	\$ 1,075,791,238	\$ 1,064,700,000	\$ 1,032,140,000
STATE OPERATIONS			
0890 Federal Grant for State Operations	\$ 54,479,546	\$ 63,684,000	\$ 62,270,000
GRAND TOTAL WIC PROGRAM	\$ 1,130,270,784	\$ 1,128,384,000	\$ 1,094,410,000



APPENDIX D**Revenue Projections**

Public Health/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 \$1.012 billion, which is a decrease of \$58 million or 5.38 percent compared to the \$1.070 billion amount provided in the FY 2019-20 Governor's Budget. The decrease is based on the final, signed federal budget for federal fiscal year 2019.

For FY 2019-20, the projected federal revenue will total \$1.007 billion, which is a decrease of \$78 million or 7.3 percent compared to the FY 2019-20 Governor's Budget amount of \$1.085 billion.

REVENUE COMPARISON (all funds)									
Revenue Source	2017-18 Actual	2019-20 Governor's Budget	SFY 2018-19			2019-20 Governor's Budget	SFY 2019-20		
			May Revision	Change from 2019-20 Governors Budget			May Revision	Change from 2019-20 Governors Budget	
Federal Food Grant	659,375,000	693,871,000	623,638,000	(70,233,000)	-10.12%	719,442,000	625,798,000	(93,644,000)	-13.02%
Rebate Food Funds	233,196,000	229,080,000	226,211,000	(2,869,000)	-1.25%	214,929,000	213,678,000	(1,251,000)	-0.58%
Total Funds for Food	892,571,000	922,951,000	849,849,000	(73,102,000)	-7.92%	934,371,000	839,476,000	(94,895,000)	-10.16%
Federal NSA Grant	377,578,000	376,256,000	388,872,000	12,616,000	3.35%	365,287,000	380,797,000	15,510,000	4.25%
Total Federal Funds	1,036,953,000	1,070,127,000	1,012,510,000	(57,617,000)	-5.38%	1,084,729,000	1,006,595,000	(78,134,000)	-7.20%

1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for Public Health/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 FFY 2018 appropriation is allocated for food, and Public Health WIC receives approximately 17 percent of that appropriation. The food allocation for FFY 2019 will decrease to 68 percent, and Public Health WIC will 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 2018	\$ 5,375,000,000	\$ 115,000,000	68.57%	17.47%	\$ 630,208,943
FFY 2019	\$ 5,575,000,000	\$ 95,000,000	67.54%	15.98%	\$ 591,591,937

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. Public Health 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 \$623.7 million, which is a decrease of \$70.2 million or 10.12 percent less compared to \$693.9 million in the FY 2019-20 Governor's Budget.

In FY 2019-20, Food Grant revenue is expected to total \$625.8 million, which is a decrease of \$93.6 million or 13.02 percent less compared to \$719.4 million in the FY 2019-20 Governor's Budget.

WIC RESOURCES FOR FOOD			
	FFY 2018	FFY 2019	Prorate to SFY 2018-19
Base Appropriation	\$ 630,208,943	\$ 591,591,937	\$ 601,246,189
Reallocations	\$ 53,096,305	\$ 34,206,261	\$ 38,928,772
Recovery	\$ (66,147,261)	\$ -	\$ (16,536,815)
Total	\$ 617,157,987	\$ 625,798,198	\$ 623,638,145
	FFY 2019	FFY 2020	Prorate to SFY 2019-20
Base Appropriation	\$ 591,591,937	\$ 591,591,937	\$ 591,591,937
Reallocations	\$ 34,206,261	\$ 34,206,261	\$ 34,206,261
Total	\$ 625,798,198	\$ 625,798,198	\$ 625,798,198

3. NSA Grant

Approximately 31 percent of the national WIC appropriation for FFY 2018 was allocated for NSA, and California received approximately 16 percent of that allocation. The NSA allocation for FFY 2019 will increase to 32 percent; however, California's share will be approximately 15 percent of the national appropriation, a decrease of 1 percent compared to FFY 2018.

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 2018	\$ 5,375,000,000	\$ 115,000,000	31.43%	16.36%	\$ 270,399,145
FFY 2019	\$ 5,575,000,000	\$ 95,000,000	32.46%	15.42%	\$ 274,299,013

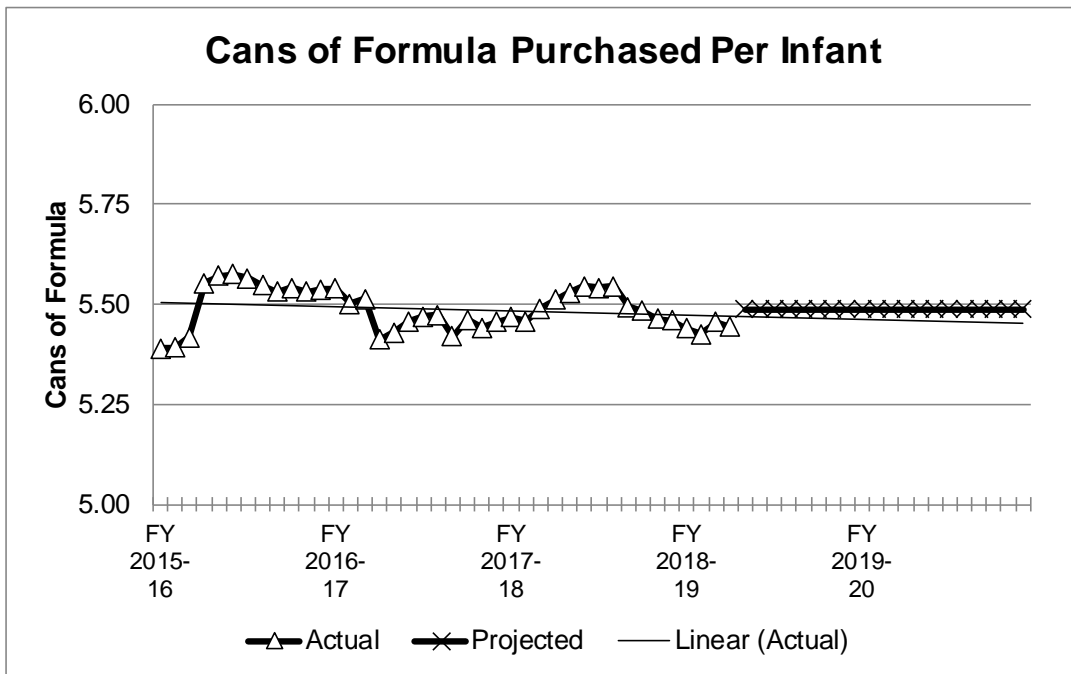
In FY 2018-19, NSA Grant revenue is expected to total \$388.9 million, which is an increase of \$12.6 million or 3.35 percent compared to \$376.3 million in the FY 2019-20 Governor's Budget.

In FY 2019-20, NSA Grant revenue is expected to total \$380.8 million, which is an increase of \$15.5 million or 4.25 percent compared to \$365.3 million in the FY 2019-20 Governor's Budget.

WIC RESOURCES FOR NSA			
	FFY 2018	FFY 2019	Prorate to SFY 2018-19
Base Appropriation, NSA	\$ 256,879,188	\$ 274,299,013	\$ 269,944,057
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	\$ 56,100,857	\$ 59,705,813
Spendforward	\$ 39,203,813	\$ 33,818,966	\$ 35,165,178
Technology Grant	\$ -	\$ 18,284,298	\$ 13,536,928
Total	\$ 377,398,815	\$ 392,931,897	\$ 388,872,331
	FFY 2019	FFY 2020	Prorate to SFY 2019-20
Base Appropriation, NSA	\$ 274,299,013	\$ 274,299,013	\$ 274,299,013
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	\$ 56,100,857	\$ 56,100,857	\$ 56,100,857
Spendforward	\$ 33,818,966	\$ 23,395,557	\$ 26,001,409
Technology Grant	\$ 18,284,298	\$ 9,219,498	\$ 13,966,868
Total	\$ 392,931,897	\$ 373,443,688	\$ 380,796,910

4. Rebate Funds: WIC Manufacturer Rebate Fund 3023

In addition to the Federal Food and NSA Grants, Public Health WIC receives rebate funds from the contracted infant formula manufacturer. Public Health WIC estimates current year infant formula WIC Manufacturer Rebate Fund revenues to total \$226.2 million, a decrease of \$2.8 million or 1.25 percent compared to the 2019-20 Governor’s Budget amount of \$229 million. In FY 2019-20, Public Health WIC estimates infant formula WIC Manufacturer Rebate Fund revenues to total \$213.7 million, which is a decrease of \$1.2 million or 0.58 percent compared to the FY 2019-20 Governor’s Budget amount of \$214.9 million. The decline of rebate revenue is attributed to decreased participation.



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.