

Women, Infants, and Children (WIC)

FY 2016-17

November Estimate



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I. ESTIMATE

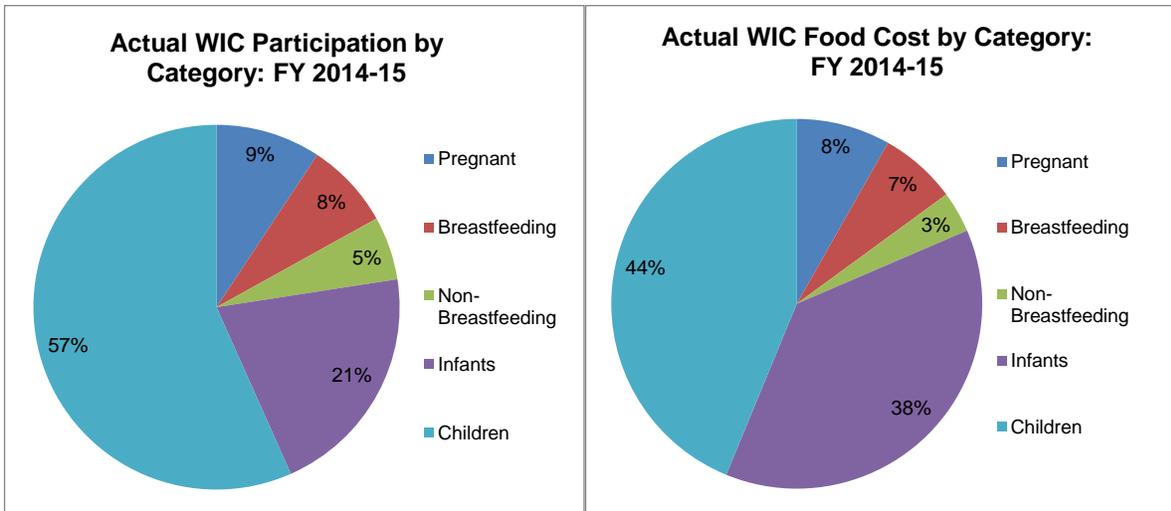
a. WIC Estimate and Program Overview

The California Department of Public Health/Women, Infants, and Children (CDPH/WIC) Division operates a \$1.3 billion program serving approximately 1.3 million of California's economically and nutritionally vulnerable residents each month. CDPH receives federal funding to administer the WIC Program to Californians based on a discretionary grant appropriated by Congress, plus subsequent reallocations of prior year unspent funds. The WIC Program is not an entitlement program; rather, the number of participants served is limited by the amount of discretionary grant appropriated annually by Congress.

CDPH/WIC provides nutrition services and food assistance to low-to-moderate income families for pregnant, breastfeeding, and non-breastfeeding women, infants, and children up to their fifth birthday. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level (equivalent to an annual income of \$29,471 for a family size of two in 2015). WIC Program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and vouchers for specific nutritious foods that are redeemable at retail food outlets throughout the state. The WIC Program is federally funded by the United States Department of Agriculture (USDA) under the federal Child Nutrition Act of 1966, as amended. Specific uses of WIC Program funds are required under federal laws and regulations, and CDPH must account for and report funds and expenditures on a monthly basis.

This Estimate projects food expenditures that include the following factors: participation, historical actual expenditures by the various participation categories, any regulatory changes that add allowable foods or augment food redemption values, and inflation. As in the 2014 November Estimate, CDPH/WIC estimated cost per participant in this Estimate at the individual participant category level. These categories are: (1) pregnant women, (2) breastfeeding women, (3) non-breastfeeding women, (4) infants, and (5) children. The Estimate also includes other Local Assistance and State Operations expenditures.

The two pie charts on the next page display the distribution of participants and the distribution of food cost by participant category. Actual data from Fiscal Year (FY) 2014-15 is displayed in the charts. These proportions were used to generate the FY 2015-16 and FY 2016-17 Estimates; therefore, the distribution of participants and food cost per participant category in FY 2015-16 and FY 2016-17 are equivalent to FY 2014-15.



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

b. Food Expenditures

1. Current Year

The CDPH/WIC 2015 Budget Act appropriation assumed food expenditures of \$1.063 billion. This 2015 November Estimate anticipates revised FY 2015-16 expenditures of \$995.7 million, which is a decrease of \$67.0 million or 6.31% compared to 2015 Budget Act. This is due to lower than projected participation levels and cost containment efforts.

CDPH/WIC’s revised FY 2015-16 food costs of \$995.7 million consist of federal food costs and the WIC Manufacturer Rebate Fund (Fund 3023). Federal food costs are \$775 million, a decrease of \$51 million compared to 2015 Budget Act, and Rebate Fund food costs are \$221 million, a decrease of \$16 million compared to 2015 Budget Act due to lower than projected participation levels.

2. Budget Year

For FY 2016-17, CDPH/WIC estimates food expenditures will total \$1.003 billion, which is a decrease of \$60 million or 5.67% compared to 2015 Budget Act, or an increase of \$7 million from revised FY 2015-16 projected food expenditures, due to an anticipated increase in participation based on birth rate projections from the Department of Finance (DOF) Demographic Research Unit (DRU). Federal food costs are projected to be \$786 million, and WIC Manufacturer Rebate Fund food costs are projected to be \$217 million.

c. Other Local Assistance and State Operations Projections

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

1. Current Year

In FY 2015-16, the NSA budget and the anticipated expenditures for local administration are estimated at \$301 million, which is no change from the 2015 Budget Act. State Operations expenditures are estimated at \$55.1 million, which is no change from the 2015 Budget Act.

2. Budget Year

In FY 2016-17, there is no change to the local administration expenditure estimate. There is a total increase of \$6,289,000 in State Operations in FY 2016-17 which includes amounts for the following two BCP's: \$5,776,000 for the eWIC Electronic Benefit Transfer (EBT) and Management Information System (MIS) Project, and \$513,000 for Increasing the Enrollment of Children in WIC .

The eWIC EBT/MIS Project BCP requests federal fund expenditure authority to replace CDPH/WIC paper checks with an electronic debit card, and the current Integrated Statewide Information System (ISIS) with USDA approved, Electronic Benefits Transfer (EBT) ready Management Information System (MIS). The WIC MIS Project will replace ISIS and its supplemental applications with a modern, proven system used in other states in order to meet its operational and strategic needs. The new MIS will allow the CDPH/WIC local agencies and retailers to conduct business functions through one convenient web-based integrated solution. In order to implement a transfer system, CDPH/WIC will work with the Office of Systems Integration (OSI) to solicit bids via a Request for Proposal (RFP) and contract for the services of Design, Development, and Implementation contractor to make modifications, test, install, train users, and rollout the transfer system.

The CDPH/WIC EBT Project will implement a statewide online, outsourced WIC EBT solution that meets federal mandates and is sustainable for years through a joint competitive procurement with the California Department of Social Services' (CDSS) Supplemental Nutrition Assistance Program (SNAP) and OSI. The objective of the project is to implement a CDPH/WIC EBT system that delivers benefits efficiently, reconciles payments, operates affordably, enhances client services by improving access to prescribed CDPH/WIC foods, and simplifies the retail point-of-sale transaction to reduce participation stigma and improve shopping convenience. The CDPH/WIC EBT Projects' major tasks include procuring an EBT system and services contractor, designing and developing the EBT solution, planning and conducting a localized EBT pilot, evaluation of the pilot, and expanding operations statewide.

Additionally, the Increasing the Enrollment of Children in WIC BCP requests federal fund expenditure authority and 4.0 permanent positions to enhance CDPH/WIC outreach activities, data sharing, and program coordination with CDSS' CalFresh Program to increase child enrollment in both programs. CDPH/WIC and CDSS/Cal Fresh have made a commitment to work together to increase the enrollment of children in these programs. The goal is to increase California's coverage rate of eligible children participating in CDPH/WIC by five percent, or 48,000 children, and to assist CDSS with increasing their enrollment of children in CalFresh by 400,000 by June 30, 2018. The 4.0 federally funded permanent positions will be a team of professionals dedicated to work with counties to improve outreach to child populations and to improve county WIC administrative processes to lower barriers to application and households in the CDPH/WIC program.

d. Fiscal Comparison Summary

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

EXPENDITURE COMPARISON (federal funds)							
Fund 0890 Federal Trust Fund	Budget Act 2015	SFY 2015-16			SFY 2016-17		
		November Estimate	Change from Budget Act 2015		November Estimate	Change from Budget Act 2015	
Local Assistance Expenditures	1,126,206,368	1,075,229,926	(50,976,442)	-4.53%	1,094,093,548	(32,112,820)	-2.85%
Food Expenditures (Food Grant)	825,339,368	774,362,926	(50,976,442)	-6.18%	793,226,548	(32,112,820)	-3.89%
Other Local Assistance (NSA Grant)	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
State Operations (NSA Grant)	55,140,136	55,140,136	-	0.00%	61,429,198	6,289,062	11.41%

REVENUE COMPARISON (federal funds)							
Fund 0890 Federal Trust Fund	Budget Act 2015	SFY 2015-16			SFY 2016-17		
		November Estimate	Change from Budget Act 2015		November Estimate	Change from Budget Act 2015	
Total Available Resources	1,218,806,586	1,236,372,814	17,566,228	1.44%	1,235,821,998	17,015,412	1.40%
Food Grant	852,101,579	859,508,309	7,406,730	0.87%	859,043,481	6,941,902	0.81%
NSA Grant	366,705,007	376,864,505	10,159,498	2.77%	376,778,517	10,073,510	2.75%

EXPENDITURE COMPARISON (rebate funds)							
Fund 3023 Manufacturer Rebate	Budget Act 2015	SFY 2015-16			SFY 2016-17		
		November Estimate	Change from Budget Act 2015		November Estimate	Change from Budget Act 2015	
Local Assistance Expenditures	237,437,089	221,369,550	(16,067,539)	-6.77%	216,739,700	(20,697,389)	-8.72%

REVENUE COMPARISON (rebate funds)							
Fund 3023 Manufacturer Rebate	Budget Act 2015	SFY 2015-16			SFY 2016-17		
		November Estimate	Change from Budget Act 2015		November Estimate	Change from Budget Act 2015	
Total Available Resources	237,437,089	221,369,550	(16,067,539)	-6.77%	216,739,700	(20,697,389)	-8.72%

e. Expenditure Methodology/Key Drivers of Cost

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

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

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

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

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

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

1. Participation by Category

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

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

For each category, the five-year trend in actual participation is applied to the prior year category total participation, and 60 percent of the forecasted change in births is added to that number (except for children) to arrive to a final forecast. The births adjustment is based on research showing that 60 percent of all infants born in California were enrolled in WIC by their first birthday (California WIC Association, 2012). The DOF DRU projects births to increase by 0.74% in FY 2015-2016, which is an increase of 3,725 in actual births.

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

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

For Child Category:

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

For FY 2016-17 forecasts, the forecasted totals for FY 2015-16 are used because actuals are not currently available, and a projected 0.74% increase in birth rates is continued for FY 2016-17, which is equal to an increase of 3,753 in actual births. An additional 11,970 monthly child participants for FY 2016-17 were added as a forecasted result of the *Increasing the Enrollment of Children in WIC BCP*.

2. Food Costs per Participant Category

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

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

The average cost per participant is adjusted for each participant category using the Consumer Price Index (CPI) projections for Food at Home from the DOF Economic Research Unit (ERU) to account for fluctuations in food prices. The updated DOF ERU projected CPI inflation rate for Food at Home in FY 2015-16 is 1.23%, and is 2.34% for FY 2016-17 (see Appendix A).

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

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

3. Total Food Costs

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

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

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

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

EXPENDITURE COMPARISON (all funds)							
Expenditure Category	Budget Act 2015	SFY 2015-16			SFY 2016-17		
		November Estimate	Change from Budget Act 2015		November Estimate	Change from Budget Act 2015	
Pregnant	86,718,763	78,809,673	(7,909,090)	-9.12%	78,089,425	(8,629,338)	-9.95%
Breastfeeding	70,000,534	65,086,826	(4,913,708)	-7.02%	65,853,022	(4,147,512)	-5.92%
Non-Breastfeeding	37,259,030	33,675,640	(3,583,390)	-9.62%	33,676,254	(3,582,776)	-9.62%
Infants	388,126,175	361,674,084	(26,452,091)	-6.82%	360,277,008	(27,849,167)	-7.18%
Children	448,687,512	420,470,207	(28,217,305)	-6.29%	428,760,135	(19,927,377)	-4.44%
Yogurt	7,945,432	4,414,130	(3,531,302)	-44.44%	10,593,912	2,648,480	33.33%
Cash Value Voucher Increase	-	2,600,000	2,600,000	100.00%	3,300,000	3,300,000	100.00%
Reserve	24,039,011	29,001,917	4,962,906	20.65%	29,416,493	5,377,482	22.37%
Total Food Expenditures	1,062,776,457	995,732,476	(67,043,981)	-6.31%	1,009,966,249	(52,810,208)	-4.97%
<i>Food Expenditures Paid from Rebate Funds</i>	<i>237,437,089</i>	<i>221,369,550</i>	<i>(16,067,539)</i>	<i>-6.77%</i>	<i>216,739,700</i>	<i>(20,697,389)</i>	<i>-8.72%</i>
<i>Food Expenditures Paid from Federal Funds</i>	<i>825,339,368</i>	<i>774,362,926</i>	<i>(50,976,442)</i>	<i>-6.18%</i>	<i>793,226,548</i>	<i>(32,112,820)</i>	<i>-3.89%</i>
Other Local Assistance Expenditures (Federal NSA)	300,867,000	300,867,000	-	0.00%	300,867,000	-	0.00%
Total Federal Local Assistance Expenditures (Food + NSA)	1,126,206,368	1,075,229,926	(50,976,442)	-4.53%	1,094,093,548	(32,112,820)	-2.85%
State Operations (Federal NSA)	55,140,136	55,140,136	-	0.00%	61,429,198	6,289,062	11.41%

Pregnant Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$78,809,673, a decrease of \$587,391 or 0.74% compared to FY 2014-15 actual expenditures of \$79,397,064. Food expenditures are estimated to total \$78,089,425 for FY 2016-17, a decrease of \$8,629,338 or 9.95% compared to the 2015 Budget Act.

Breastfeeding Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$65,086,826, a decrease of \$295,690 or 0.45% compared to FY 2014-15 actual expenditures of \$65,382,516. Food expenditures are estimated to total \$65,853,022 for FY 2016-17, a decrease of \$4,147,512 or 5.92% compared to the 2015 Budget Act.

Non-Breastfeeding Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$33,675,640, a decrease of \$1,172,720 or 3.37% compared to FY 2014-15 actual expenditures of \$34,848,360.

Food expenditures are estimated to total \$33,676,254 for FY 2016-17, a decrease of \$3,582,776 or 9.62% compared to the 2015 Budget Act.

Infant Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$361,674,084, a decrease of \$3,910,392 or 1.07% compared to FY 2014-15 actual expenditures of \$365,584,476. Food expenditures are estimated to total \$360,277,008 for FY 2016-17, a decrease of \$27,849,167 or 7.18% compared to the 2015 Budget Act.

Children Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$420,470,207, a decrease of \$4,278,049 or 1.01% compared to FY 2014-15 actual expenditures of \$424,748,256. Food expenditures are estimated to total \$428,760,135 for FY 2016-17, a decrease of \$19,927,377 or 4.44% compared to the 2015 Budget Act.

Yogurt to Replace Quart of Milk

The final WIC Program food package regulations, published by the USDA on March 4, 2014, expanded the options under the milk and milk substitutions category to include yogurt for the packages that include a quart of milk in addition to gallons of milk. CDPH/WIC plans to add yogurt as an allowable milk substitution for the quart of milk in February 2016 (to coincide with the next revision of the WIC Authorized Food List Shopping Guide). Yogurt will replace the quart of milk in nearly all packages, except for the packages in which the participant elects to receive all fluid milk (no quarts are currently issued in these packages) and infant food packages. Packages that only include gallons of milk will not have the yogurt substitution. Approximately 78 Food Instruments (FIs) contain the quart of milk in addition to the gallons of milk, and about 949,275 FIs are issued to women and children each month. Using the difference in price between a quart of milk versus a quart of yogurt, CDPH/WIC estimates adding yogurt will result in a projected cost increase of \$882,826 per month, or \$4.4 million in FY 2015-16, and \$10.6 million annually thereafter, not inflated. This translates to additional food costs of \$0.823 per month per participant.

Cash Value Voucher Increase

On June 25, 2015, the USDA issued WIC Policy Memorandum #2015-4 regarding an increase to the monthly value of cash value vouchers for fruits and vegetables for women participants. The memorandum increases the cash value benefit issued to all women participants from \$10 to \$11, and women that breastfeed multiple infants from \$15 to \$16.50. Women participants represent approximately 23 percent of total participant issued benefits. Given the required implementation date is October 1, 2015, CDPH/WIC estimates the increase to be \$2.6 million in FY 2015-16, and \$3.3 million annually thereafter.

Prudent Reserve for Food Expenditures

A prudent 3% reserve for food expenditures is requested in the amount of \$29,001,917; an increase of \$4,962,906 or 20.65% compared to the reserve for FY 2015-16 expenditures in the 2015 Budget Act. The reserve request for FY 2016-17 is estimated at \$29,416,493; an increase of \$5,377,482 or 22.37% compared to the 2015 Budget Act.

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

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

II. FUND CONDITION STATEMENT

FUND CONDITION STATEMENT			
(dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 14-15 Actuals	SFY 15-16 Estimate	SFY 16-17 Estimate
BEGINNING BALANCE	171	116	219
Prior Year Adjustments	(5)	-	-
Adjusted Beginning Balance	166	116	219
REVENUES, TRANSFERS, AND OTHER INSTRUMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	36	90	90
4172240 Fines and Penalties - External - Other	8	-	-
4172500 Miscellaneous Revenue	227,617	221,382	216,752
Total Revenues, Transfers, and Other Adjustments	227,661	221,472	216,842
Total Resources	227,827	221,588	217,061
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	227,711	221,369	216,740
Total Expenditures and Expenditure Adjustments	227,711	221,369	216,740
FUND BALANCE	116	219	321

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

1. Future Fiscal Considerations

There are no Future Fiscal Considerations at this time.

2. New Assumptions/ Premises

a. Changes to forecasting participation categories

Background: In the FY 2015-16 Budget Estimate cycle, CDPH/WIC forecasted participation levels by participant category level, applying the forecasted changes in births from DOF DRU to the previous year's average participation. The Pregnant, Breastfeeding, Non-breastfeeding, and Infant categories are expected to be highly influenced by births. However, the Children participant category is not directly related to the change in current or forecasted births, but is influenced more by past births, previous year's child participation, and other, additional factors. Additionally, this methodology did not account for annual trends in participation, and assumed that all participation categories would change by the total change in the number of births.

Description of Change: For this FY 2016-17 November Estimate, CDPH/WIC will use a new methodology to forecast participation levels by category. The new forecasting method applies the five-year participation trend (in terms of percentage change) for each participant category and makes adjustments to account for DOF-forecasted changes in births. Because 60% of infants born in California enroll in CDPH/WIC, 60% of the annual change in forecasted births is added to the forecasted monthly participation in the Pregnant, Breastfeeding, Non-breastfeeding, and Infant participant categories; there is no adjustment to the trend for the Children category. This methodology is expected to provide more accurate estimates that take into account recent participation trends, as well as the forecasted increase in total births in the upcoming years. The five-year participation trend was selected to reflect the changing economy; the past two fiscal years have experienced unprecedented declines in participation, which are expected to taper off as the economy improves and the number of births increases.

Discretionary: Yes.

Reason for Adjustment/ Change:

- More accurate methodology for forecasting participant categories.

Fiscal Impact (Range) and Fund Source(s): For the FY 2015-16, the new projection method results in \$29,514,000 less in food expenditures than the previous method (a difference of -2.97%), while for the FY 2016-17 the new projection method results in

\$58,591,000 less (a difference of -5.86%) in food expenditures (both rounded to nearest \$1,000). These changes are calculated using the same costs per participant as the 2015 May Revision Estimates, to allow for direct comparison. It is expected that food costs per participant will increase for both fiscal years, due to an expected increase in the California Food at Home Consumer Price Index (CPI). This would therefore mitigate the forecasted decrease in food expenditures for both fiscal years.

b. Cash Value Voucher Increase

Background: On June 25, 2015, the United States Department of Agriculture (USDA) issued WIC Policy Memorandum #2015-4 regarding an increase to the monthly value of cash value vouchers for fruits and vegetables for women participants. CDPH/WIC staff have since assessed the changes included in the memorandum and determined the changes will have an impact on food costs for CDPH/WIC. The memorandum requires an increase to the cash value benefit issued to pregnant, postpartum, and breastfeeding women participants from \$10 to \$11, and to breastfeeding multiples from \$15 to \$16.50, to be implemented on October 1, 2015.

Description of Change: The estimated impact to current year is \$2.6 million. The inclusion of this cost is due to the required implementation date of October 1, 2015. The ongoing annual impact will be approximately \$3.3 million. The estimated impact has been incorporated into this Estimate and is reflected in the gross food costs.

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

Reason for Adjustment/ Change:

- Cash value vouchers are issued to all women participants.
- Women represent approximately 23% 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 women participant, and the total estimated impact to budget year is an increase of \$3.3 million in food costs to the Federal Trust Fund (Fund 0890). Sufficient funds are available for budget year to support this increase.

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

Background: The Healthy, Hunger-Free Kids Act of 2010 reauthorized child nutrition programs and also mandated that all state WIC agencies implement EBT systems by October 1, 2020. In 2012, California was awarded \$355,000 in federal funding to conduct a comprehensive EBT feasibility study and begin early planning. CDPH/WIC completed the study and determined an EBT system would be feasible within the state's operating environment. The project, which is 100 percent federally funded, will replace the paper vouchers participants currently receive each month with an electronic benefits card that is similar to the one CalFresh currently uses.

Description of Change: CDPH/WIC is replacing paper checks with an electronic debit card. To effectuate this change, CDPH/WIC must replace its current ISIS with a USDA approved, EBT-ready MIS. The new MIS will allow the CDPH/WIC local agencies and retailers to conduct business functions through one convenient web-based integrated solution. In order to implement a transfer system, CDPH/WIC will work with OSI to solicit bids via a Request for Proposal (RFP) and contract for the services of Design, Development and Implementation contractor to make modifications, test, install, train users, and rollout the transfer system

Discretionary: No. This change is mandated by the USDA.

Reason for Adjustment/ Change:

- Increases convenience of use of CDPH/WIC benefits and reduces the stigma associated with the paper checks.
- Creates more efficient transactions for vendors and creates a data base of food purchases and prices that will facilitate compliance monitoring.
- Ensures CDPH/WIC meets the USDA mandate that all states implement EBT by October 1, 2020.
- CDPH/WIC-allowed food list modifications changes can be managed by Uniform Product Code inventory lists.

Fiscal Impact (Range) and Fund Source(s): The estimated impact to CDPH/WIC's federal fund expenditure authority is an increase of \$5,776,000 in FY 2016-17.

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

Background: While California is more successful than any other state in reaching individuals eligible for the CDPH/WIC program (82 percent in 2012 compared to the national average of 63 percent), California's coverage rates vary across participant categories, namely pregnant women, postpartum women, infants, and children. The most recent data indicates the child coverage rate is the lowest at 73 percent. Given CDPH/WIC's lower enrollment of child participants compared to other groups, and CalFresh's below national average enrollment figures, CDPH/WIC and CDSS have been evaluating ways to work together to increase the enrollment of children in these programs. Both programs have made a commitment to work together to increase the enrollment of children.

Description of Change: CDPH/WIC will increase by 4.0 permanent positions to enhance outreach activities, data sharing, and program coordination with the CDSS' CalFresh Program in order to increase child enrollment in both programs. CDPH/WIC's stated goals are to raise California's coverage rate of eligible children participating by five percent, or 48,000 children, and assist CDSS with increasing their enrollment of children in CalFresh by 400,000, or 21 percent, by June 30, 2018.

Discretionary: Yes

Reason for Adjustment/ Change:

- Approximately 48,000 additional children will have supplemental nutrition necessary for healthy physical and mental functioning by the end of 2017-18.
- Reducing food insecurity among children will likely lead to improved educational outcomes and improved socioeconomic opportunities.

Fiscal Impact (Range) and Fund Source(s): The estimated impact to CDPH/WIC's federal fund expenditure authority is an increase of \$513,000 in FY 2016-17 for state operations and \$7,217,910 in FY 2016-17 for food.

3. Discontinued Assumptions/Premises

There are no Discontinued Assumptions/Premises at this time.

4. Existing (Significantly Changed) Assumptions/Premises

a. Yogurt Allowable as a Replacement Milk

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

Description of Change: Analysis shows the addition of yogurt may result in CDPH/WIC spending more food dollars because a quart of yogurt (average cost of \$2.88 per quart) is more expensive than a quart of milk (average cost of \$1.95 per quart). Yogurt will replace the quart of milk, and therefore, will be included in nearly every food package. Approximately 78 Food Instruments (FIs) contain the quart of milk in addition to the gallons of milk, and about 949,275 FIs are issued to women or children each month. Using the difference in price between a quart of milk versus a quart of yogurt, CDPH/WIC estimates that adding yogurt will result in a projected cost increase of \$882,826 per month. USDA is aware of the additional cost associated with issuing yogurt instead of the quart of milk and still elected to allow states the option to add yogurt as a milk substitution. CDPH/WIC plans to minimize the fiscal impact of adding yogurt through limiting factors, such as disallowing the following: higher-cost package sizes, organic yogurt, and Greek yogurt; these limiting factors are reflected in the cost estimate above.

Discretionary: Yes.

Reason for Adjustment/ Change:

- Final USDA food package regulations allow states to offer one quart of yogurt in lieu of one quart of milk.
- CDPH/WIC is opting to offer yogurt as an allowable option for participants to purchase.
- The date of implementing the issuance of yogurt instead of the quart of milk has been delayed until February 2016.

Fiscal Impact (Range) and Fund Source(s): \$10.6 million, annually.

5. Unchanged Assumptions/Premises

There are no Unchanged Assumptions/Premises at this time.

IV.APPENDICES

APPENDIX A: Rationale for Participation and Expenditure Projections

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

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

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

Federal policy changes and demographic trends may impact the estimates. The federal fiscal year 2013 marked the first decline in California's WIC Program participation since 2000, following similar participation declines nationwide that began in 2012. A variety of factors may have contributed to this decline, including economic factors, demographic shifts, immigration trends, and technology trends that are influences outside the control of CDPH/WIC. We expect the number of eligible persons has decreased, potentially due to the decrease in California birth and unemployment rates. However, changes in the birth rate and other demographic and economic factors may increase or decrease the number of persons eligible for benefits.

The most recent data (2012) shows California had the highest coverage of eligible persons of all state WIC Programs, and was second nationally behind Puerto Rico. CDPH/WIC is currently serving 82 percent of eligible Californians, according to USDA/Food and Nutrition Services (FNS) estimates; the national average is 63 percent.

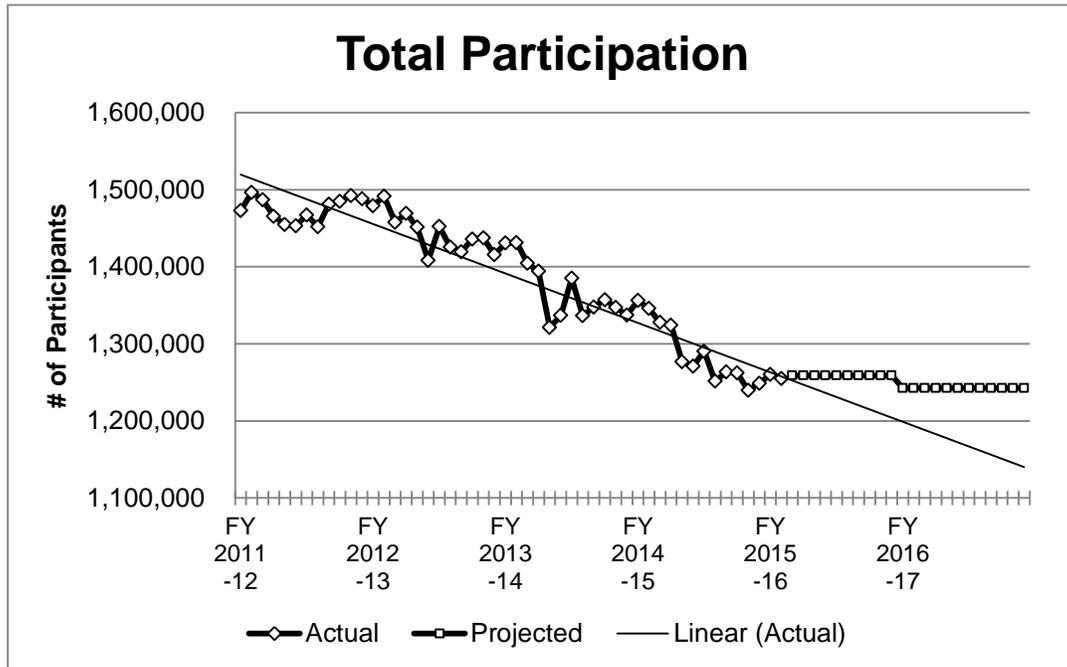
Total Participation

Live birth projections are an indication of participation rates because the WIC Program serves pregnant and postpartum women and their infants, as well as other children they could bring into the WIC Program. The currently available DOF DRU figures forecast a 0.74% increase in births for FY 2015-16.

For FY 2014-15, monthly average participation was 1,288,108. For July 2015 and August 2015, the monthly average participation was 1,244,859. CDPH/WIC estimates FY 2015-16 participation will continue to decrease, but at a slower rate of 2.26% (compared to 5.97% in FY 2014-15), and will decrease by 2.25% in FY 2016-17.

The overall estimated monthly average is 1,258,598 participants per month for FY 2015-16, and 1,230,676 for FY 2016-17.

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



Total Food Expenditures

CDPH/WIC estimates current year food expenditures to total \$995,732,476, which is an increase of \$25,771,804 or 2.66% compared to FY 2014-15 actual expenditures of \$969,960,672. This percentage change is reflective of decreased participation of 2.29% offset by increased food inflation of 1.23%. FY 2016-17 food expenditures are estimated at \$1,009,966,249, an increase of \$14,233,773 or 1.43% compared to revised FY 2015-16 projections. This percentage change is reflective of decreased participation of 2.22% that is more than offset by increased food inflation of 2.34% and increased child participation that is expected to result from the collaboration with CalFresh.

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

Inflation

The food cost projection per participant category considers the DOF ERU projected inflation rate for Food at Home. The 2015 May Revision Estimate for FY 2014-15 projected a 3.21% inflation rate for CDPH/WIC food costs using DOF ERU projected CPI for Food at Home due to drought impact on food costs in California. Actual reported inflation from DOF ERU for FY 2014-15 showed a 3.18% inflation rate, which is very close to the projection that was used. Based on DOF ERU inflation projections for Food at Home, CDPH/WIC food cost estimates assume a 1.23% inflation rate in FY 2015-16 and a 2.34% inflation rate in FY 2016-17.

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

Summary Chart of Budget Estimate Food Cost Projections

Participant Category	2014-15 Actual Participation and Costs			2015-16 Projections			2016-17 Projections		
	Average Annual Monthly Participation	Actual Cost/PPT*	Total Annual Actual Cost	Average Annual Monthly Participation	Cost/PPT x 1.0123	Annual Cost Projection	Average Annual Monthly Participation	Cost/PPT x 1.0234	Annual Cost Projection
Pregnant	119,430	\$ 55.40	\$ 79,397,064	117,109	\$ 56.08	\$ 78,809,673	113,390	\$ 57.39	\$ 78,089,425
Breastfeeding	98,527	\$ 55.30	\$ 65,382,516	96,890	\$ 55.98	\$ 65,086,826	95,789	\$ 57.29	\$ 65,853,022
Non-Breastfeeding	72,492	\$ 40.06	\$ 34,848,360	69,206	\$ 40.55	\$ 33,675,640	67,623	\$ 41.50	\$ 33,676,254
Infants	267,851	\$ 113.74	\$ 365,584,476	261,764	\$ 115.14	\$ 361,674,084	254,800	\$ 117.83	\$ 360,277,008
Children	729,808	\$ 48.50	\$ 424,748,256	713,629	\$ 49.10	\$ 420,470,207	711,045	\$ 50.25	\$ 428,760,135
Yogurt (Revised Assumption)			\$ -			\$ 4,414,130			\$ 10,593,912
Cash Value Voucher Increase (New Assumption)			\$ -			\$ 2,600,000			\$ 3,300,000
3% Reserve						\$ 29,001,917			\$ 29,416,493
Subtotal	1,288,108		\$ 969,960,672	1,258,598		\$ 995,732,476	1,242,647		\$ 1,009,966,249
Food Expenditures charged to Rebate Funds			\$ (227,617,000)			\$ (221,369,550)			\$ (216,739,700)
Food Expenditures charged to Federal Funds			\$ 742,343,672			\$ 774,362,926			\$ 793,226,548
NSA			\$ 300,867,000			\$ 300,867,000			\$ 300,867,000
State Ops			\$ 54,887,066			\$ 55,140,136			\$ 61,429,198

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

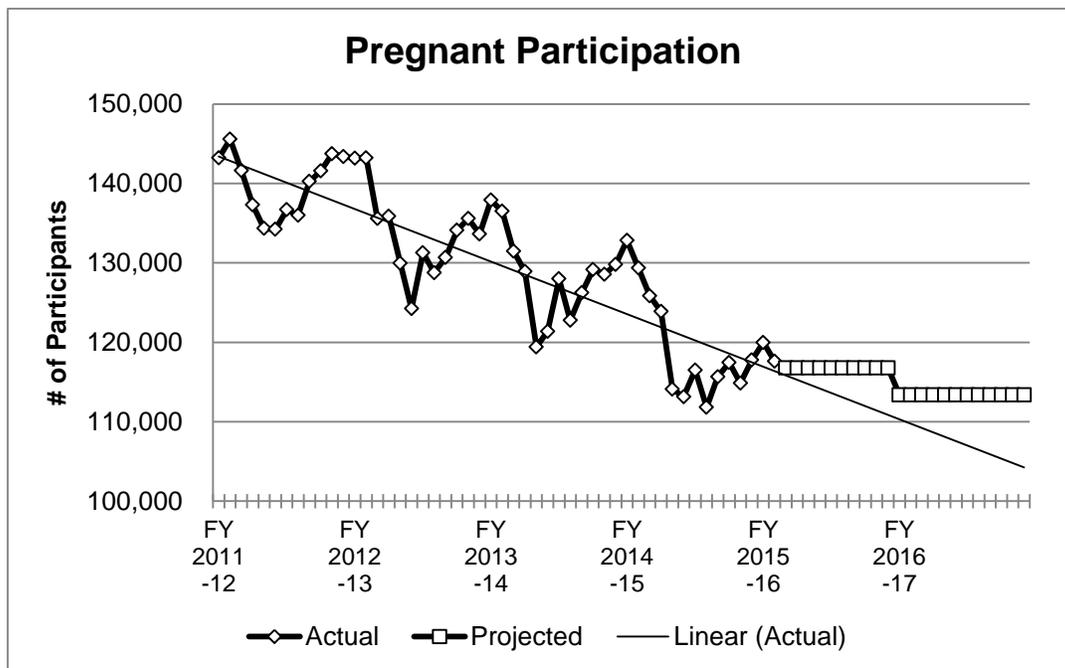
APPENDIX B: Participant and Food Cost Projections by Category

B1: Pregnant Participation and Expenditures

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

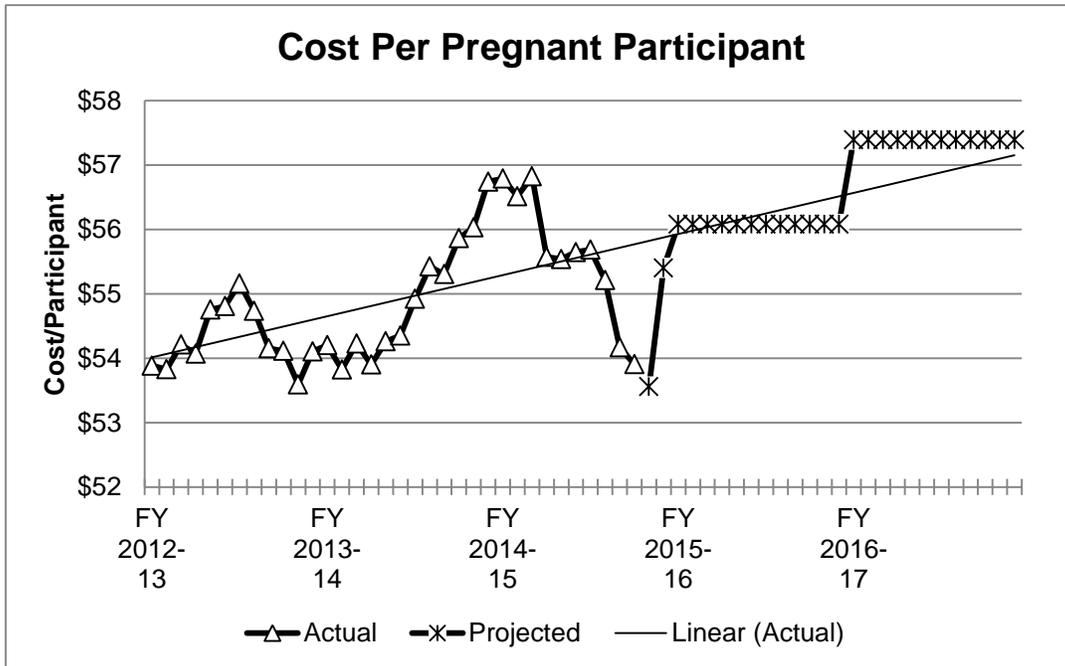
Pregnant Participation

CDPH/WIC estimates current year (FY 2015-16) pregnant participation will average 117,109 participants monthly. This figure represents a decrease of 2,321 or 1.94% of the actual FY 2014-15 average of 119,430 participants per month. Pregnant participation in FY 2016-17 is estimated to be 113,390 participants monthly, a decrease of 3,719 participants or 3.18% compared to the revised current year estimate.



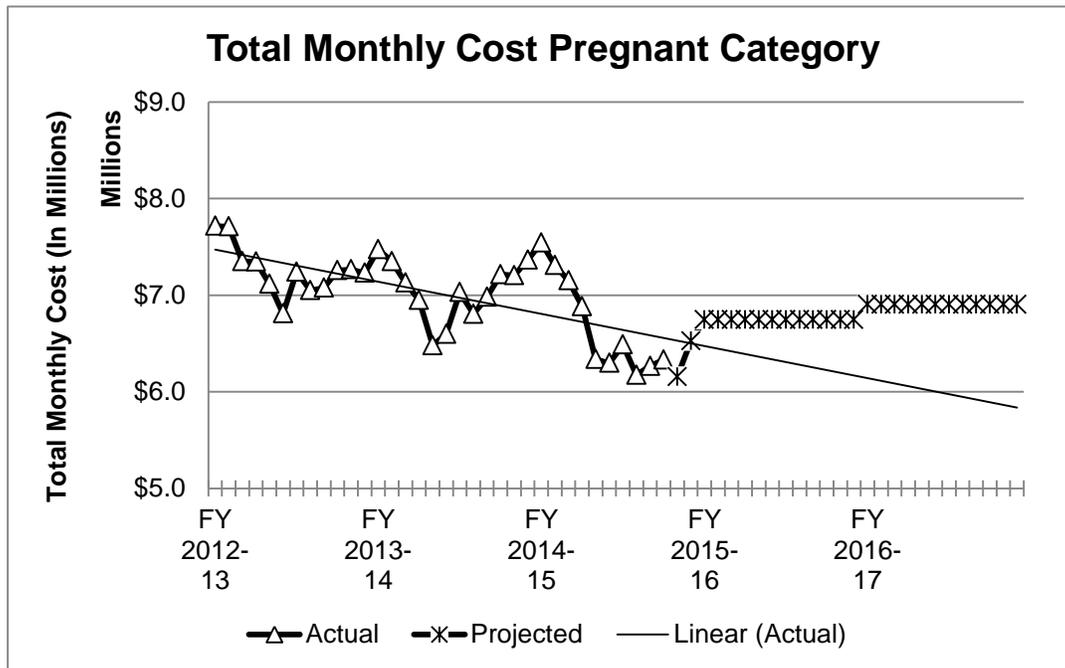
Costs per Pregnant Participant

For FY 2015-16, CDPH/WIC estimates average cost per pregnant participant will be \$56.08, which is an increase of \$0.68 or 1.23% compared to FY 2014-15 actual average cost per pregnant participant of \$55.40. For FY 2015-16, CDPH/WIC estimates average cost per pregnant participant will be \$57.39, which is an increase of \$1.31 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Expenditures for Pregnant Women

For FY 2015-16, CDPH/WIC estimates expenditures for pregnant women will total \$78,809,673 annually, which is a decrease of \$587,391 or 0.74% when compared to the FY 2014-15 actual amount of \$79,397,064. For FY 2016-17, CDPH/WIC estimates expenditures for pregnant women will total \$78,089,425 annually, which is a decrease of \$720,248 or 0.91% compared to the revised current year estimate.



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

Participant Category Comparison: Pregnant								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	Budget Act 2015	November Estimate	Change from SFY 2014-15 Actuals		November Estimate	Change from SFY 2015-16 November Estimate	
Average monthly participation*	119,430	126,008	117,109	-2,321	-1.94%	113,390	-3,719	-3.18%
Average cost per participant*	\$ 55.40	\$ 57.35	\$ 56.08	\$ 0.68	1.23%	\$ 57.39	\$ 1.31	2.34%
Annual Expenditures**	\$ 79,397,064	\$ 86,718,763	\$ 78,809,673	\$ (587,391)	-0.74%	\$ 78,089,425	\$ (720,248)	-0.91%

*These numbers were not used to calculate the 2015-16 Budget Act amounts

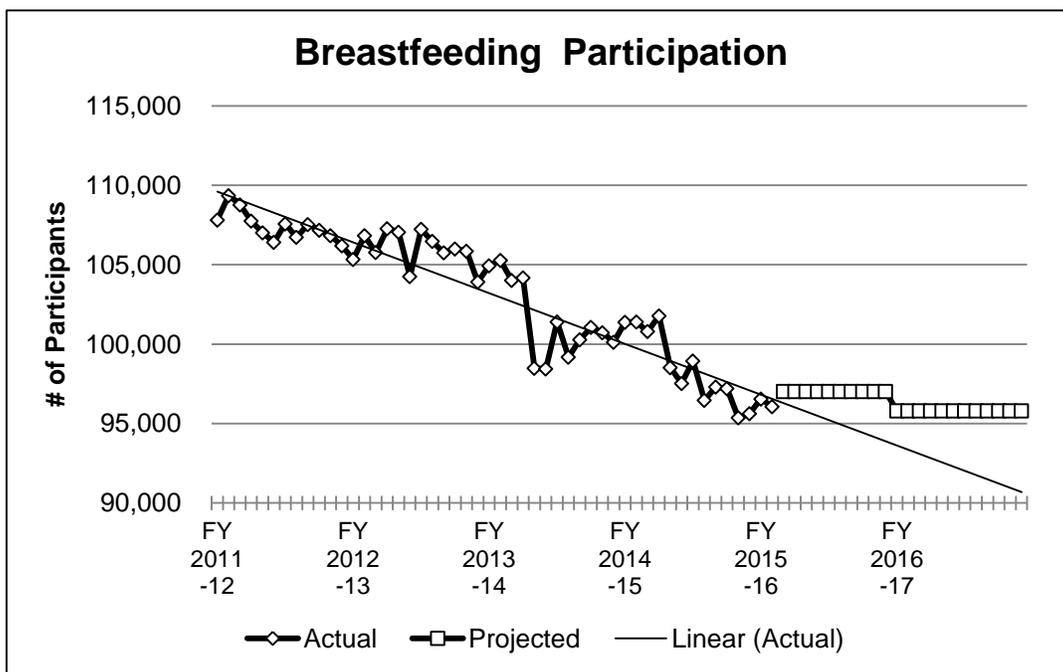
** Numbers rounded to the nearest dollar

B2: Breastfeeding Participation and Expenditures

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

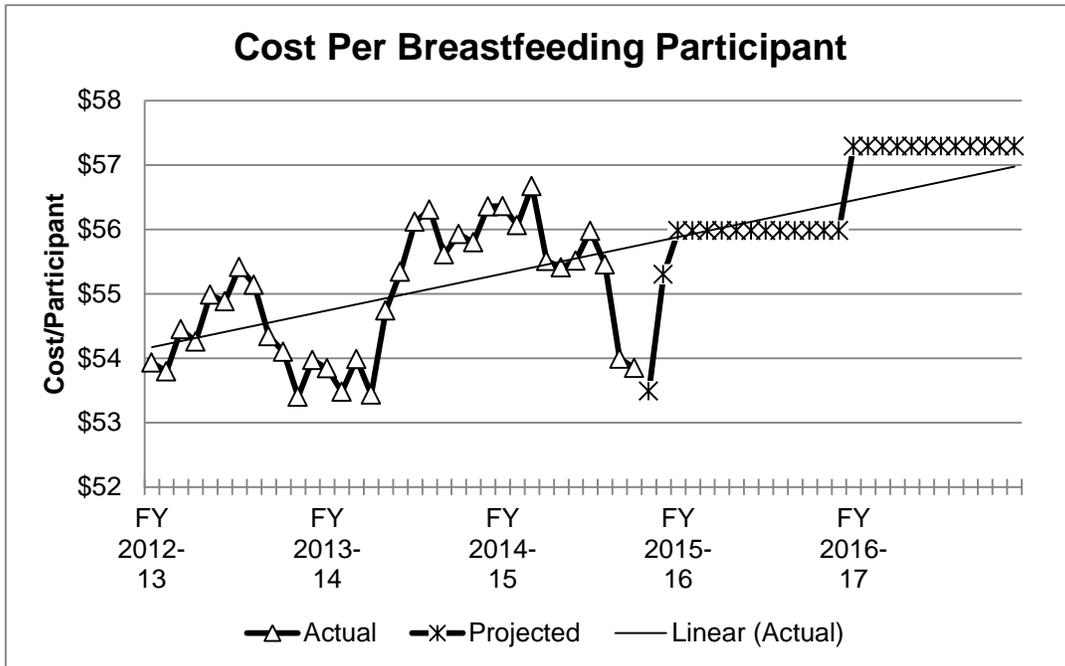
Breastfeeding Participation

CDPH/WIC estimates current year (FY 2015-16) breastfeeding participation will average 96,890 participants monthly. This figure represents a decrease of approximately 1,637 or 1.66% of the actual FY 2014-15 average of 98,527 participants per month. Breastfeeding participation in FY 2016-17 is estimated to be 95,789 participants monthly, a decrease of 1,101 participants or 1.14% compared to the revised current year estimate.



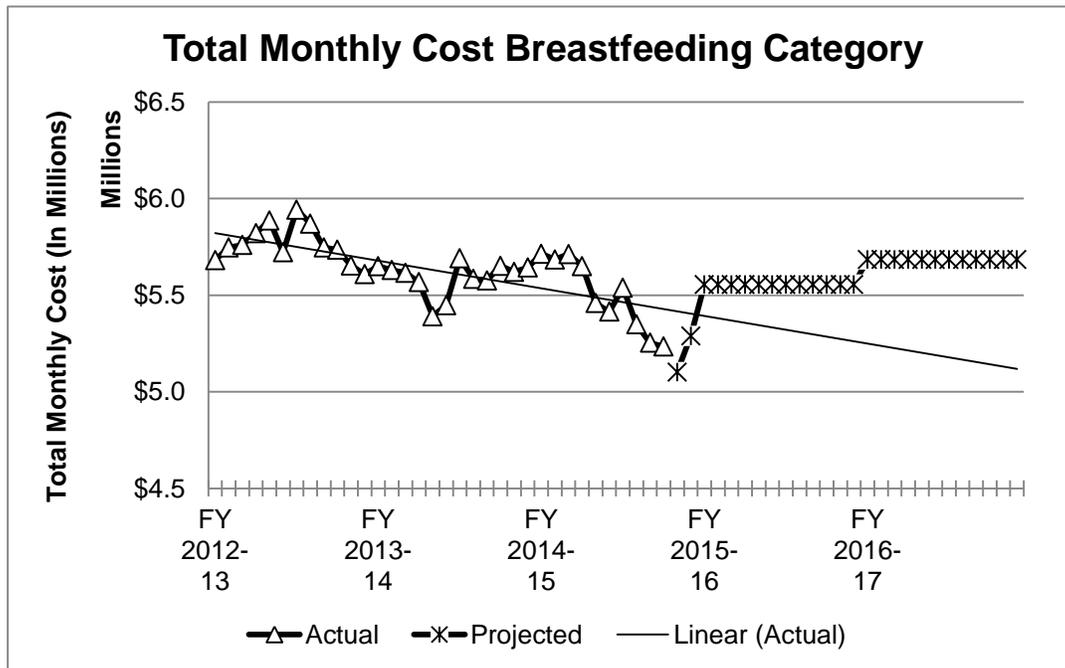
Costs per Breastfeeding Participant

For FY 2015-16, CDPH/WIC estimates average cost per breastfeeding participant will be \$55.98, which is an increase of \$0.68 or 1.23% compared to FY 2014-15 actual average cost per breastfeeding participant of \$55.30. For FY 2016-17, CDPH/WIC estimates average cost per breastfeeding participant will be \$57.29, which is an increase of \$1.31 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Breastfeeding Expenditures

For FY 2015-16, CDPH/WIC estimates breastfeeding expenditures will total \$65,086,826 annually, which is a decrease of \$295,690 or 0.45% when compared to the FY 2014-15 actual amount of \$65,382,516. For FY 2016-17, CDPH/WIC estimates breastfeeding expenditures will total \$65,853,022 annually, which is an increase of \$766,196 or 1.18% compared to the revised current year estimate.



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

Participant Category Comparison: Breastfeeding								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	Budget Act 2015	November Estimate	Change from SFY 2014-15 Actuals		November Estimate	Change from SFY 2015-16 November Estimate	
Average monthly participation*	98,527	101,645	96,890	-1,637	-1.66%	95,789	-1,101	-1.14%
Average cost per participant*	\$ 55.30	\$ 57.39	\$ 55.98	\$ 0.68	1.23%	\$ 57.29	\$ 1.31	2.34%
Annual Expenditures**	\$ 65,382,516	\$ 70,000,534	\$ 65,086,826	\$ (295,690)	-0.45%	\$ 65,853,022	\$ 766,196	1.18%

*These numbers were not used to calculate the 2015-16 Budget Act amounts

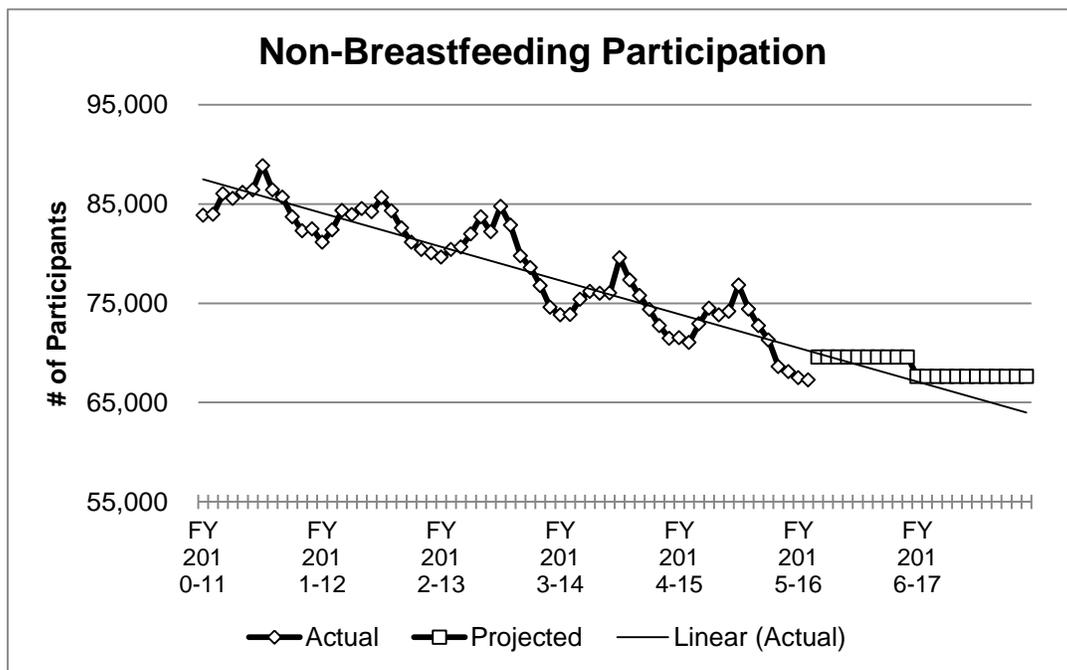
** Numbers rounded to the nearest dollar

B3: Non-Breastfeeding Participation and Expenditures

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

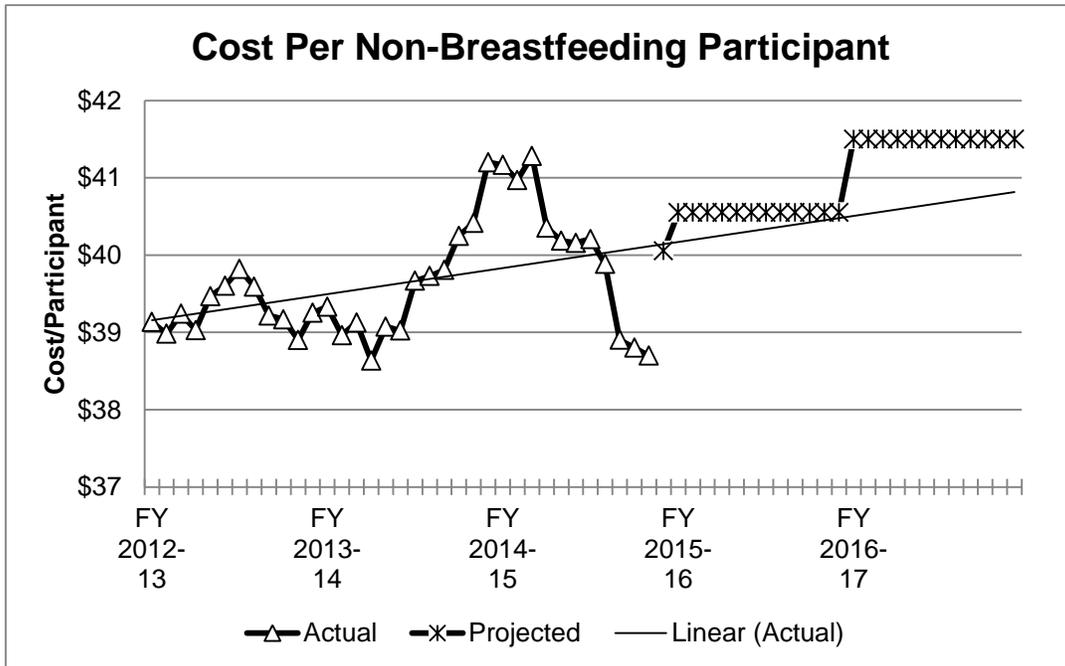
Non-Breastfeeding Participation

CDPH/WIC estimates current year (FY 2015-16) non-breastfeeding participation will average 69,206 participants monthly. This figure represents a decrease of approximately 3,286 or 4.53% of the actual FY 2014-15 average of 72,492 participants per month. Non-breastfeeding participation in FY 2016-17 is estimated to be 67,623 participants monthly, a decrease of 1,583 or 2.29% compared to the current year estimate.



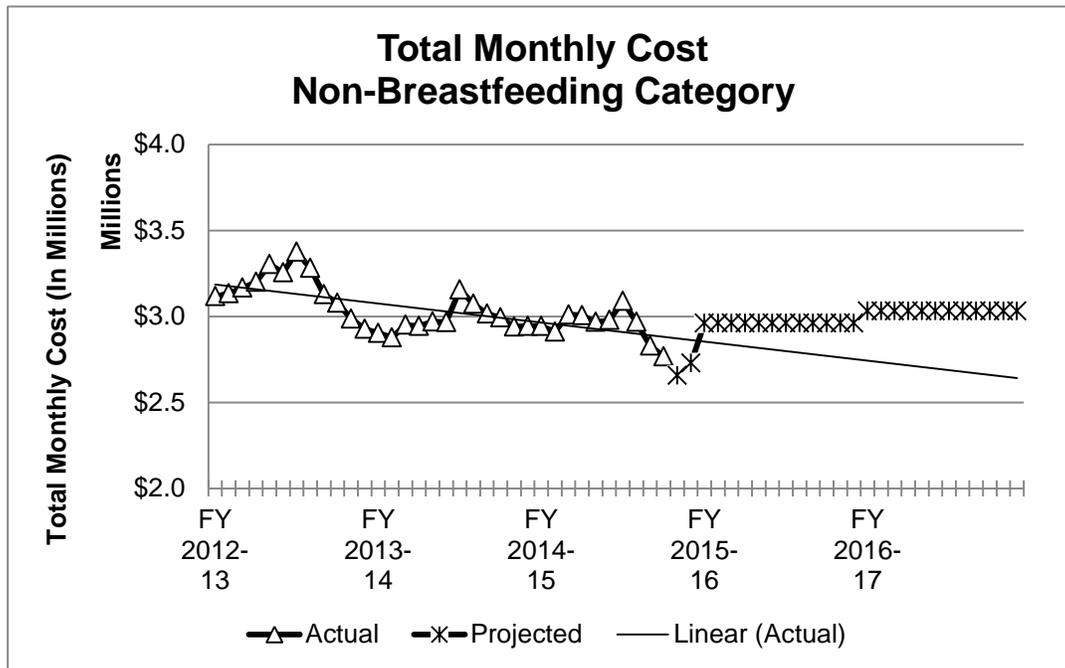
Costs per Non-Breastfeeding Participant

For FY 2015-16, CDPH/WIC estimates average cost per non-breastfeeding participant will be \$40.55, which is an increase of \$0.49 or 1.22% compared to FY 2014-15 actual average cost per non-breastfeeding participant of \$40.06. For FY 2016-17, CDPH/WIC estimates average cost per non-breastfeeding participant will be \$41.50, which is an increase of \$0.95 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Non-Breastfeeding Expenditures

For FY 2015-16, CDPH/WIC estimates non-breastfeeding expenditures will total \$33,675,640 annually, which is an annual decrease of \$1,172,720 or 3.37% compared to the FY 2014-15 actual amount of \$34,848,360. For FY 2016-17, CDPH/WIC estimates non-breastfeeding expenditures will total \$33,676,254 annually, which is an increase of \$614 or 0.00% compared to the revised current year estimate.



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

Participant Category Comparison: Non-Breastfeeding								
Factor	SFY 2014-15	SFY 2015-16			SFY 2016-17			
	Actuals	Budget Act 2015	November Estimate	Change from SFY 2014-15 Actuals		November Estimate	Change from SFY 2015-16 November Estimate	
Average monthly participation*	72,492	74,962	69,206	-3,286	-4.53%	67,623	-1,583	-2.29%
Average cost per participant*	\$ 40.06	\$ 41.42	\$ 40.55	\$ 0.49	1.22%	\$ 41.50	\$ 0.95	2.34%
Annual Expenditures**	\$ 34,848,360	\$ 37,259,030	\$ 33,675,640	\$ (1,172,720)	-3.37%	\$ 33,676,254	\$ 614	0.00%

*These numbers were not used to calculate the 2015-16 Budget Act amounts

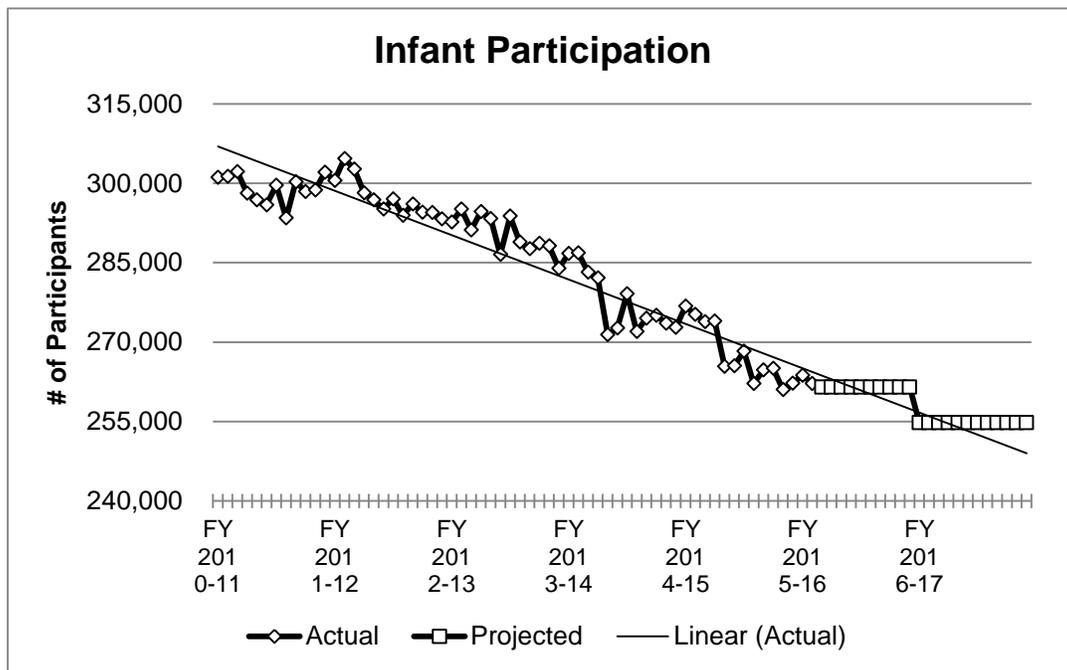
** Numbers rounded to the nearest dollar

B4: Infant Participation and Expenditures

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

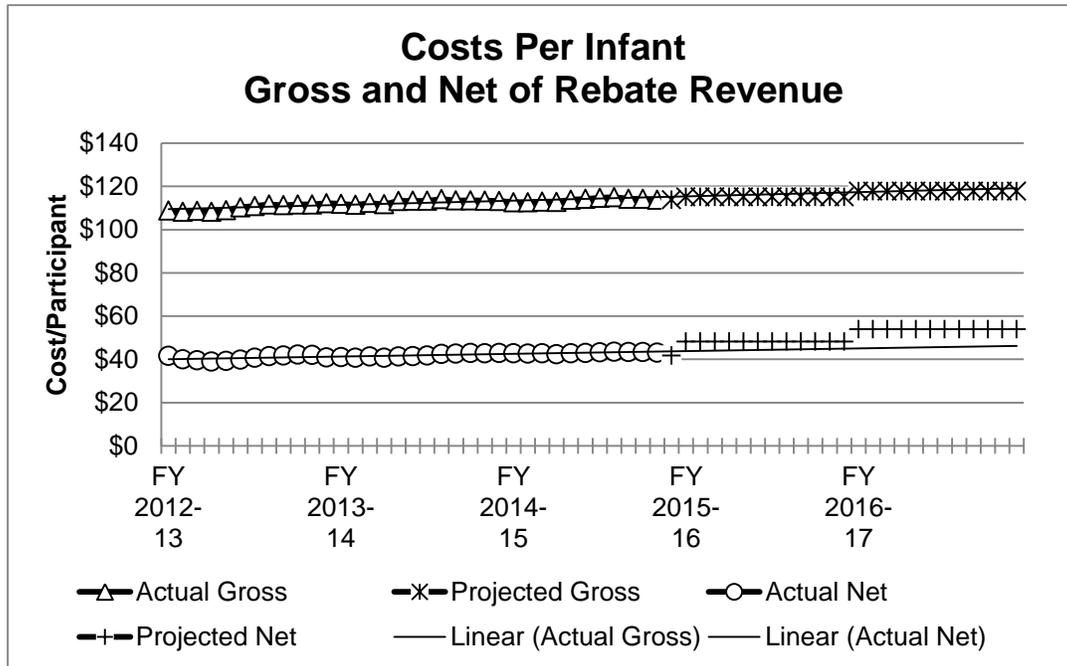
Infant Participation

CDPH/WIC estimates current year (FY 2015-16) infant participation will average 261,764 participants monthly. This figure represents a decrease of approximately 6,087 or 2.27% of the actual FY 2014-15 average of 267,851 participants per month. Infant participation in FY 2016-17 is estimated to be 254,800 participants monthly, a decrease of 6,964 or 2.66% compared to the current year estimate.



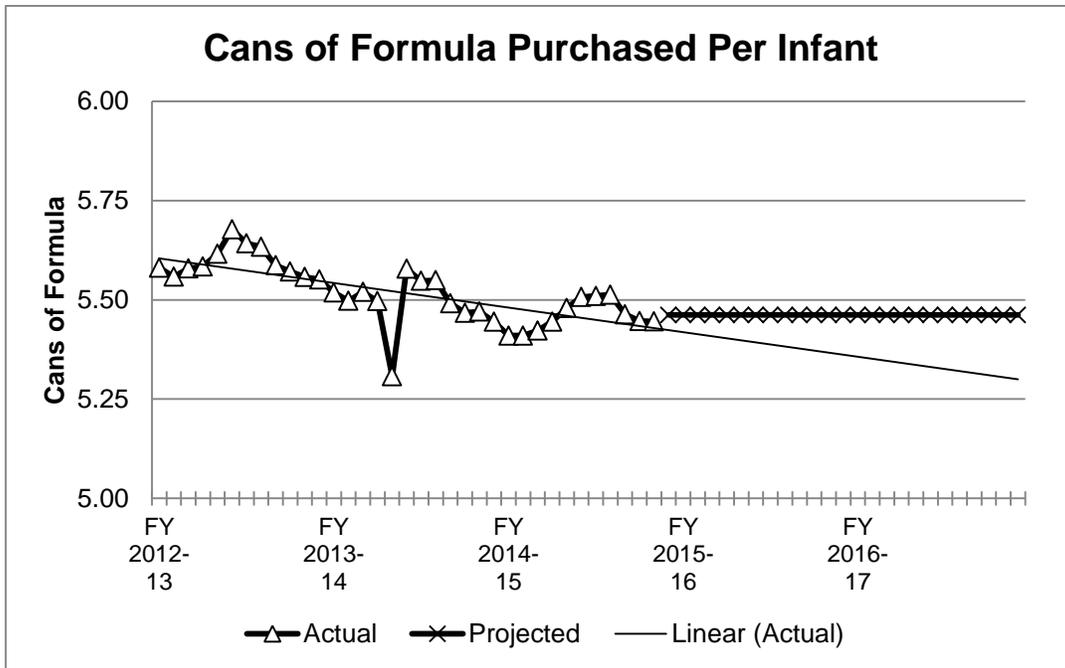
Cost per Infant Participant

For FY 2015-16, CDPH/WIC estimates average cost per infant participant will be \$115.14, which does not reflect the infant formula rebate amount. This is an increase of \$1.40 or 1.23% compared to FY 2014-15 actual average cost per infant participant of \$113.74. For FY 2016-17, CDPH/WIC estimates average cost per infant participant will be \$117.83, which is an increase of \$2.69 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Infant Formula Revenue

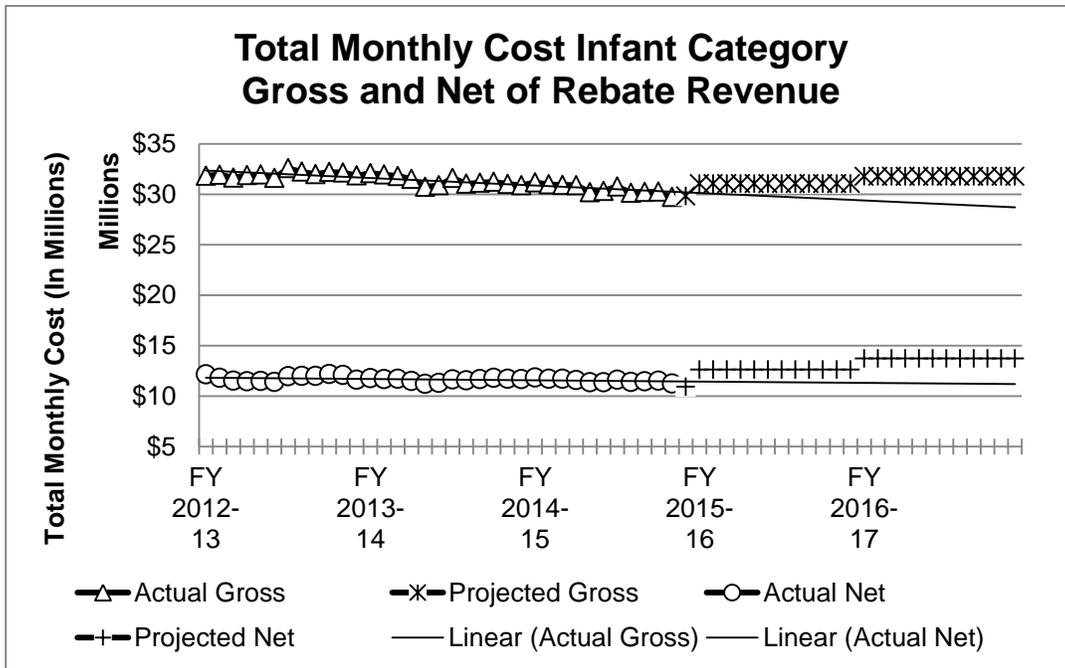
Annual infant formula rebate revenue is estimated by calculating the projected cans of infant formula that will be purchased for the number of infants projected to be served in the fiscal year. Based on the food policy of formula issuance and redemption trends, the program as a whole prescribes approximately 5.5 cans of infant formula per month for each infant issued infant formula. The total cans purchased can be calculated by multiplying the number of infants projected to be served monthly by this amount. The total cans purchased monthly are then divided proportionally between the different forms of infant formula purchased by the program to account for price variations by type of formula. The total number of cans is multiplied by the rebate per can to arrive at a total rebate projection by obligation month.



Federal regulations require rebate revenue to be reported in the month in which it is received (cash basis). The rebate projection for the applicable state fiscal year is then adjusted to project revenue on a cash basis.

Infant Expenditures

For FY 2015-16, CDPH/WIC estimates infant expenditures will total \$361,674,084 annually, which is a decrease of \$3,910,392 or 1.07% compared to the FY 2014-15 actual amount of \$365,584,476. For FY 2016-17, CDPH/WIC estimates infant expenditures will total \$360,277,008 annually, which is a decrease of \$1,397,076 or 0.39% compared to the revised current year estimate.



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

Participant Category Comparison: Infant								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	Budget Act 2015	November Estimate	Change from SFY 2014-15 Actuals		November Estimate	Change from SFY 2015-16 November Estimate	
Average monthly participation*	267,851	276,561	261,764	-6,087	-2.27%	254,800	-6,964	-2.66%
Average cost per participant*	\$ 113.74	\$ 116.95	\$ 115.14	\$ 1.40	1.23%	\$ 117.83	\$ 2.69	2.34%
Annual Expenditures**	\$ 365,584,476	\$388,126,175	\$ 361,674,084	\$ (3,910,392)	-1.07%	\$360,277,008	\$ (1,397,076)	-0.39%

*These numbers were not used to calculate the 2015-16 Budget Act amounts

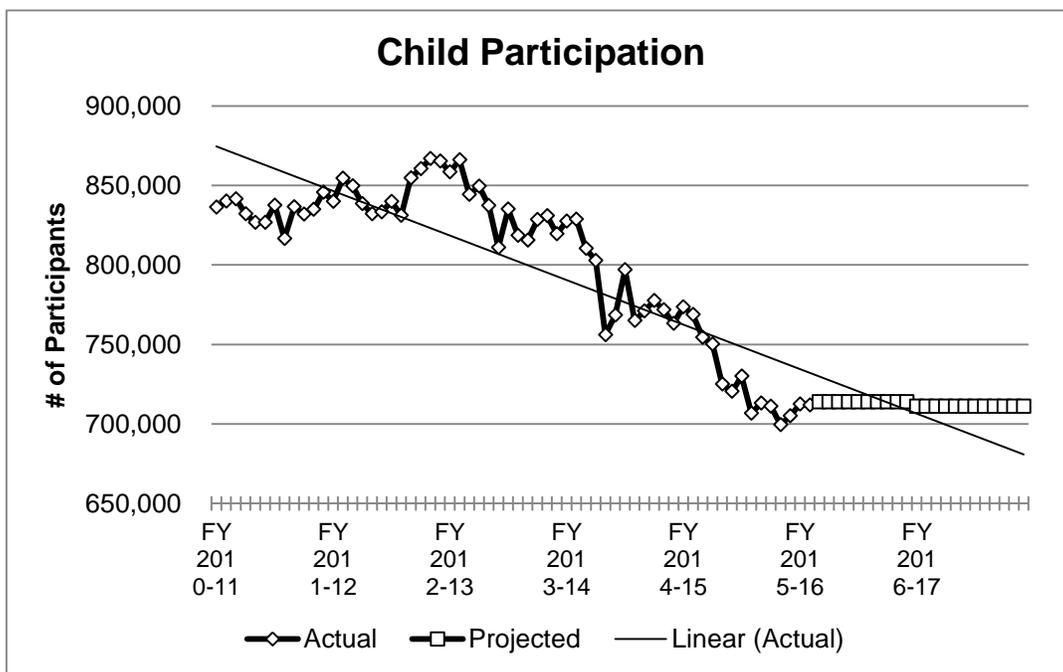
** Numbers rounded to the nearest dollar

B5: Child Participation and Expenditures

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

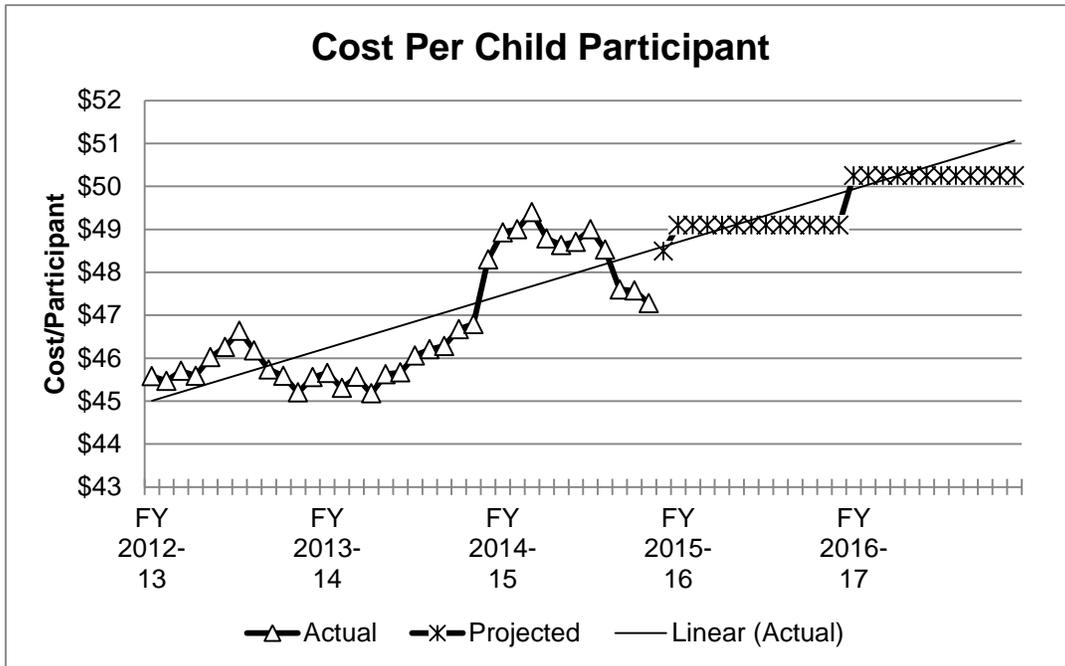
Child Participation

CDPH/WIC estimates current year (FY 2015-16) child participation will average 713,629 participants monthly. This figure represents a decrease of approximately 16,179 or 2.22% of the actual FY 2014-15 average of 729,808 participants per month. Child participation in FY 2016-17 is estimated to be 711,045 participants monthly, which includes the projected increase in child participation resulting from the collaboration with CalFresh. Overall, this projected participation represents a decrease of approximately 2,584 or 0.36% compared to the current year estimate.



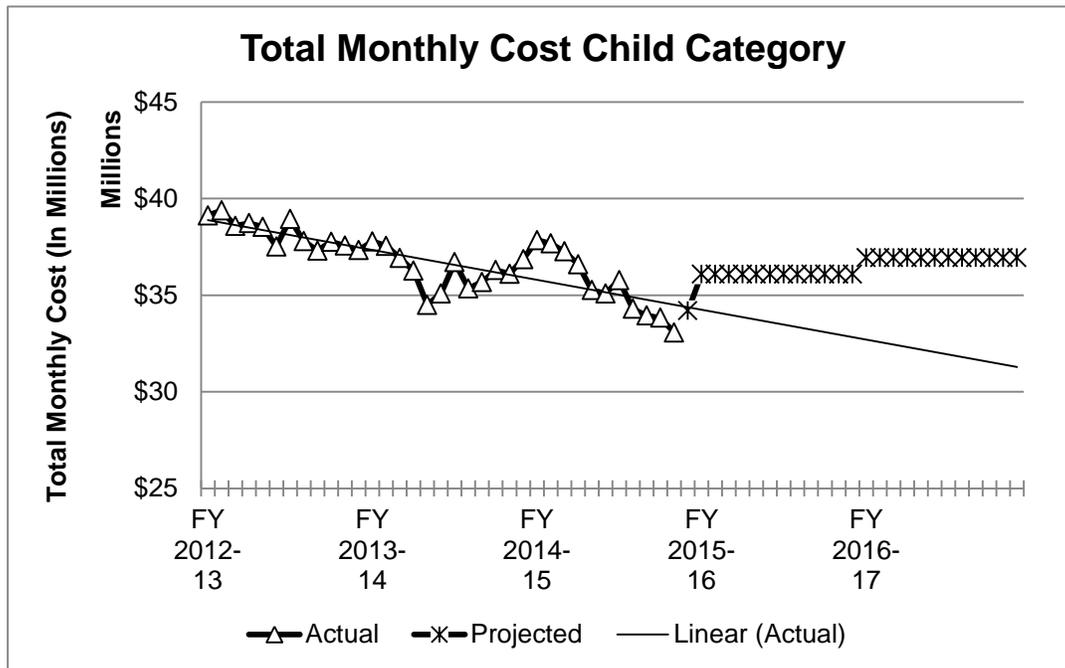
Costs per Child Participant

For FY 2015-16, CDPH/WIC estimates average cost per child participant will be \$49.10, which is an increase of \$0.60 or 1.24% compared to FY 2014-15 actual average cost per child participant of \$48.50. For FY 2016-17, CDPH/WIC estimates average cost per child participant will be \$50.25, which is an increase of \$1.15 or 2.34% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Child Expenditures

For FY 2015-16, CDPH/WIC estimates child expenditures will total \$420,470,207 annually, which is a decrease of \$4,278,049 or 1.01% compared to the FY 2014-15 actual amount of \$424,748,256. For FY 2016-17, CDPH/WIC estimates child expenditures will total \$428,760,135 annually, which is an increase of \$8,289,928 or 1.97% compared to the revised current year estimate.



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

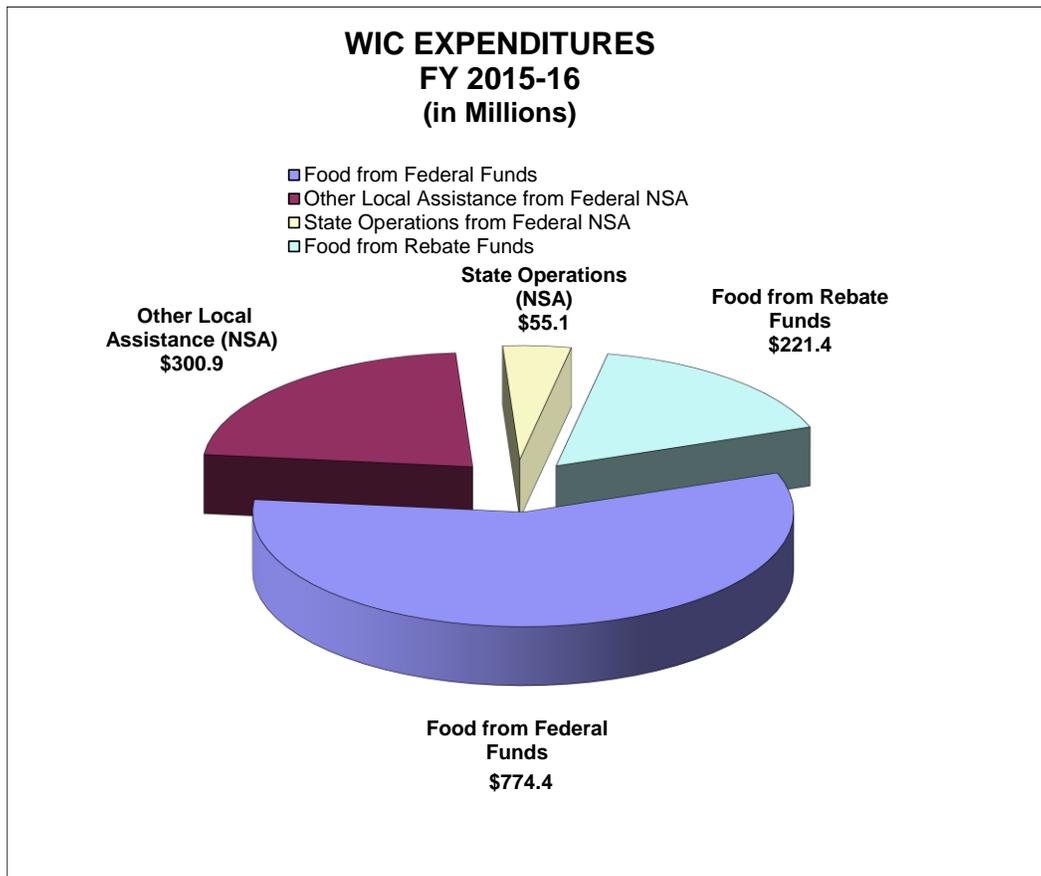
Participant Category Comparison: Child								
Factor	SFY 2014-15	SFY 2015-16				SFY 2016-17		
	Actuals	Budget Act 2015	November Estimate	Change from SFY 2014-15 Actuals		November Estimate	Change from SFY 2015-16 November Estimate	
Average monthly participation*	729,808	770,464	713,629	-16,179	-2.22%	711,045	-2,584	-0.36%
Average cost per participant*	\$ 48.50	\$ 48.53	\$ 49.10	\$ 0.60	1.24%	\$ 50.25	\$ 1.15	2.34%
Annual Expenditures**	\$ 424,748,256	\$448,687,512	\$ 420,470,207	\$ (4,278,049)	-1.01%	\$428,760,135	\$ 8,289,928	1.97%

*These numbers were not used to calculate the 2015-16 Budget Act amounts

** Numbers rounded to the nearest dollar

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

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2014-15 (Actual)	CY SFY 2015-16 (Estimated)	BY SFY 2016-17 (Proposed)
LOCAL ASSISTANCE			
0890 <i>Federal Grant for Food</i>	\$ 749,775,405	\$ 774,362,926	\$ 793,226,548
0890 <i>Federal Grant for Administration</i>	\$ 276,209,562	\$ 300,867,000	\$ 300,867,000
Total Federal Funds	\$ 1,025,984,967	\$ 1,075,229,926	\$ 1,094,093,548
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 227,711,361	\$ 221,369,550	\$ 216,739,700
Total Other Funds	\$ 227,711,361	\$ 221,369,550	\$ 216,739,700
TOTAL LOCAL ASSISTANCE	\$ 1,253,696,328	\$ 1,296,599,476	\$ 1,310,833,249
STATE OPERATIONS			
0890 <i>Federal Grant</i>	\$ 51,120,246	\$ 55,140,136	\$ 61,429,198
TOTAL STATE OPERATIONS	\$ 51,120,246	\$ 55,140,136	\$ 61,429,198
GRAND TOTAL WIC PROGRAM	\$ 1,304,816,574	\$ 1,351,739,612	\$ 1,372,262,447



APPENDIX D: Revenue Projections

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

WIC has revised federal revenue estimates for FY 2015-16 totaling \$1.236 billion, which is an increase of \$17.57 million or 1.44% compared to the 2015 Budget Act amount of \$1.219 billion.

For FY 2016-17, WIC projects federal revenue will total \$1.236 billion, which is an increase of \$17.0 million or 1.40% compared to the 2015 Budget Act amount of \$1.219 billion. This increase was based on preliminary FY 2016 budget calculations included in the Agriculture Appropriations Bill.

REVENUE COMPARISON (all funds)								
Revenue Source	2014-15 Actual	Budget Act 2015	SFY 2015-16			SFY 2016-17		
			November Estimate	Change from Budget Act 2015		November Estimate	Change from Budget Act 2015	
Federal Food Grant	865,244,324	852,101,579	859,508,309	7,406,730	0.87%	859,043,481	6,941,902	0.81%
Rebate Food Funds	227,617,000	237,437,089	221,369,550	(16,067,539)	-6.77%	216,739,700	(20,697,389)	-8.72%
Total Funds for Food	1,092,861,324	1,089,538,668	1,080,877,859	(8,660,809)	-0.79%	1,075,783,181	(13,755,487)	-1.26%
Federal NSA Grant	376,640,629	366,705,007	376,864,505	10,159,498	2.77%	376,778,517	10,073,510	2.75%
Total Federal Funds	1,241,884,953	1,218,806,586	1,236,372,814	17,566,228	1.44%	1,235,821,998	17,015,412	1.40%

1. Revenue Estimate Methodology Federal Funds: Fund 0890

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

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

2. Federal Food Grant

Nationally, approximately 71% of the appropriation is allocated for food, and California receives approximately 18% of that appropriation.

FEDERAL REVENUE PROJECTIONS (Food)					
	A	B	C	D	E=(A-B)*C*D
	National Budget Appropriation	Discretionary Funds	Food Allocation	California Share	Total Allocated Food
FFY 2015	\$ 6,623,000,000	\$ 155,000,000	71.22%	17.88%	\$ 823,860,148
FFY 2016	\$ 6,513,000,000	\$ 128,600,000	71.22%	17.88%	\$ 813,211,615

California's appropriated grant for each fiscal year may be supplemented through federal reallocations, which are distributed at least twice and up to four times during the federal fiscal year. These are funds other states have not, or will not, be able to expend that are then redistributed by the USDA to those states that have demonstrated both a need for the additional funding and the ability to spend it. CDPH/WIC has typically applied for reallocations and has been successful in receiving these additional funds. In addition, states are eligible to receive WIC contingency funds, when authorized by the USDA Secretary, if the annual federal appropriation and supplemental reallocations are insufficient.

In FY 2015-16, Food Grant revenue is expected to total \$859.5 million, which is an increase of \$7.4 million or 0.87% compared to \$852.1 million in the 2015 Budget Act.

In FY 2016-17, WIC projects Food Grant revenue will total \$859.0 million, which is an increase of \$6.9 million or 0.81% compared to \$852.1 million in the 2015 Budget Act.

WIC RESOURCES FOR FOOD			
	FFY 2015	FFY 2016	Prorate to SFY 15/16
Base Appropriation	\$ 823,860,148	\$ 813,211,615	\$ 815,873,748
Reallocations & Voluntary Recovery	\$ 37,042,643	\$ 45,831,866	\$ 43,634,560
Total	\$ 860,902,791	\$ 859,043,481	\$ 859,508,309
	FFY 2016	FFY 2017	Prorate to SFY 16/17
Base Appropriation	\$ 813,211,615	\$ 813,211,615	\$ 813,211,615
Reallocations & Voluntary Recovery	\$ 45,831,866	\$ 45,831,866	\$ 45,831,866
Total	\$ 859,043,481	\$ 859,043,481	\$ 859,043,481

3. NSA Grant

Approximately 29% of the national WIC appropriation is allocated for NSA, and California receives approximately 17% of that allocation.

FEDERAL REVENUE PROJECTIONS (NSA)					
	A	B	C	D	E=(A-B)*C*D
	National Budget Appropriation	Discretionary Funds	NSA Allocation	California Share	Total Allocated NSA
FFY 2015	\$ 6,623,000,000	\$ 155,000,000	28.78%	16.65%	\$ 310,003,002
FFY 2016	\$ 6,513,000,000	\$ 128,600,000	28.78%	16.65%	\$ 305,996,161

In FY 2015-16, NSA Grant revenue is expected to total \$376.9 million which is an increase of \$10.2 million or 2.77% compared to \$366.7 million in the 2015 Budget Act.

In FY 2016-17, NSA Grant revenue is expected to total \$376.8 million which is an increase of \$10.1 million or 2.75% compared to \$366.7 million in the 2015 Budget Act.

WIC RESOURCES FOR NSA			
	FFY 2015	FFY 2016	Prorate to SFY 15/16
Base Appropriation, NSA*	\$ 294,502,852	\$ 290,696,353	\$ 291,647,978
Farmers Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 9,316,140	\$ 9,316,140	\$ 9,316,140
Reallocations, Transfers & Contingency	\$ 34,292,254	\$ 37,837,544	\$ 36,951,222
Spendforward	\$ 36,947,240	\$ 36,864,497	\$ 36,885,183
Total	\$ 377,122,469	\$ 376,778,517	\$ 376,864,505
	FFY 2016	FFY 2017	Prorate to SFY 16/17
Base Appropriation, NSA	\$ 290,696,353	\$ 290,696,353	\$ 290,696,353
Farmers Market and Nutrition	\$ 2,063,983	\$ 2,063,983	\$ 2,063,983
Breastfeeding Peer Counseling	\$ 9,316,140	\$ 9,316,140	\$ 9,316,140
Reallocations, Transfers & Contingency	\$ 37,837,544	\$ 37,837,544	\$ 37,837,544
Spendforward	\$ 36,864,497	\$ 36,864,497	\$ 36,864,497
Total	\$ 376,778,517	\$ 376,778,517	\$ 376,778,517

* 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 \$221.4 million, a decrease of \$16.1 million or 6.77% compared to the 2015 Budget Act amount of \$237.4 million. In FY 2016-17, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues to total \$216.7 million, which is a decrease of \$20.7 million or 8.72% compared to the 2015 Budget Act amount.