

WOMEN, INFANTS, AND CHILDREN PROGRAM (WIC)

**Estimate Package
2015-16 May Revision**



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TABLE OF CONTENTS

I.	ESTIMATE	1
a.	Program Overview and Budget Estimate	1
b.	Food Expenditures	2
1.	Current Year	2
2.	Budget Year	3
c.	Other Local Assistance and State Operations Expenditures.....	3
1.	Current Year	3
2.	Budget Year	3
d.	Fiscal Comparison Summary.....	4
e.	Expenditure Methodology/Key Drivers of Cost	4
f.	Food Expenditure Projections (See Appendices B1-B5)	6
II.	FUND CONDITION STATEMENT	9
III.	APPENDICES.....	10
	APPENDIX A: Rationale for Participation and Expenditure Projections	10
	APPENDIX B: Participant and Food Cost Projections by Category	13
	APPENDIX C: CDPH/WIC Special Display Chart (Government Code 13343)	29
	APPENDIX D: Revenue Projections.....	30
1.	Revenue Estimate Methodology Federal Funds: Fund 0890	30
2.	Federal Food Grant.....	31
3.	NSA Grant	32
4.	Infant Formula Rebate Funds: Fund 3023	33
	APPENDIX E: Future Fiscal Considerations and New, Discontinued, Existing, Unchanged Assumptions/Premises	34
1.	Future Fiscal Considerations	34
2.	New Assumptions/Premises	35
3.	Discontinued Assumptions/Premises.....	36
4.	Existing (Significantly Changed) Assumptions/Premises.....	36
5.	Unchanged Assumptions/Premises	36

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I. ESTIMATE

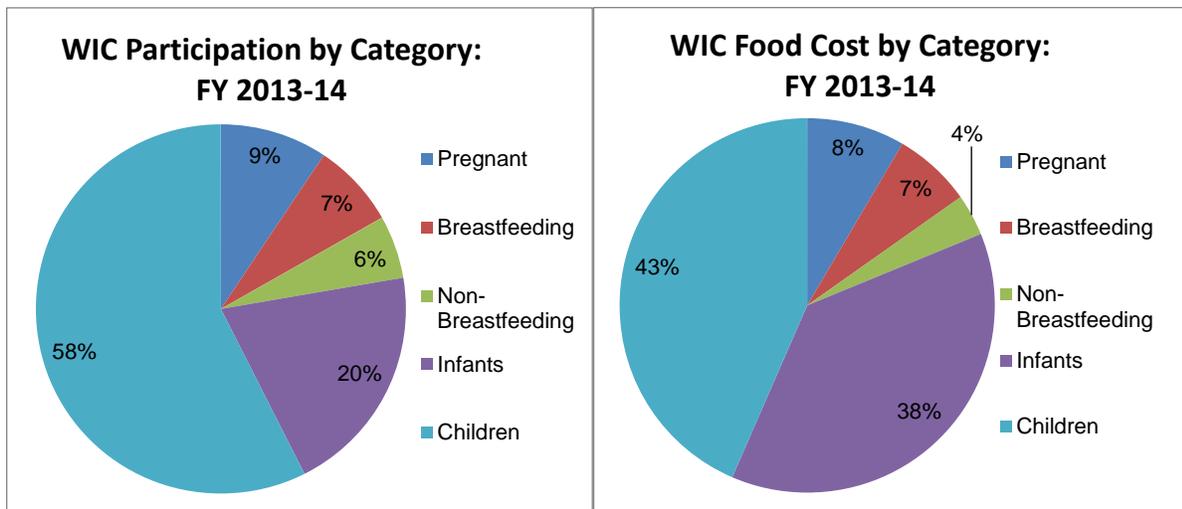
a. Program Overview and Budget Estimate

The California Department of Public Health (CDPH), Women, Infants and Children (CDPH/WIC) Division operates a \$1.4 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 \$29,470.50 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, the addition of allowable foods, and inflation. Prior year Estimates looked only at program participation as a whole when projecting food costs. As in the 2015-16 Governor's Budget 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. This change allowed CDPH/WIC to examine food costs in a more precise manner. The Estimate also includes other local assistance and state operations expenditures.

The two pie charts on the next page show the distribution of participants and the distribution of food cost by participant category. Actual data from FY 2013-14 is displayed in the charts. These proportions were used to generate the FY 2014-15 and FY 2015-16 Estimates; therefore, the distribution of participants and food cost per participant category in FYs 2014-15 and FY 2015-16 are equivalent to FY 2013-14.



These charts show that the largest participant category served is children. This is because children are 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. Infants comprise 20 percent of the participant population; however, they represent a disproportionately higher percent of the food cost (38%), primarily due to the higher cost of infant formula compared to the other supplemental foods provided by the WIC Program. As a result, the cost shares of the other categories are lower than their participation share, with the cost of the child category accounting for 43 percent of food costs despite its 58 percent participation share, and the other categories (pregnant, breastfeeding, and non-breastfeeding women) representing cost shares that are close to their participation share.

b. Food Expenditures

1. Current Year

The CDPH/WIC 2014 Budget Act appropriation assumed food expenditures of \$1.075 billion. The 2014 November Estimate anticipated revised FY 2014-15 expenditures of \$1.045 billion due to lower than projected participation levels and CDPH/WIC cost containment efforts. The 2015 May Revision Estimate anticipates revised FY 2014-15 expenditures of \$1.035 billion, which is a decrease of \$9.6 million or 0.92% from FY 2014-15 expenditures as estimated in November 2014, due to reduced birth rate projections as reported by the Department of Finance (DOF) Demographics Research Unit (DRU), and lower than expected participation in the first part of FY 2014-15.

CDPH/WIC's revised FY 2014-15 food costs of \$1.035 billion consist of federal food costs and the WIC Manufacturer Rebate Fund 3023. Federal food costs are \$802 million, a decrease of \$2.9 million compared to FY 2014-15 expenditures as estimated in November 2014, and Rebate Fund food costs are \$233 million, a decrease of \$6.7 million compared to FY 2014-15 expenditures as estimated in November 2014 due to lower than projected participation levels, similar to participation trends

experienced nationwide (see Appendix A for information on California participation trends).

2. Budget Year

For FY 2015-16, CDPH/WIC estimates food expenditures will total \$1.063 billion, which is a decrease of \$13.2 million or 1.23% compared to the 2015-16 Governor's Budget. This decrease is due to a decrease in participation for current year and revised future birth rate projections as reported by the DOF DRU. Of the total food expenditures, \$825 million, is charged to federal funds (a decrease of \$8.4 million compared to the 2015-16 Governor's Budget) and \$237 million is charged to the WIC Manufacturer Rebate Fund 3023 (a decrease of \$4.8 million compared to the 2015-16 Governor's Budget Estimate).

c. Other Local Assistance and State Operations Expenditures

In addition to food costs, the local assistance budget authority includes other federal funds from the Nutrition Services and Administration (NSA) grant, which are provided to contracted 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 2014-15, the anticipated NSA expenditures for local administration are \$301 million, which is unchanged from the 2014 Budget Act and from FY 2014-15 expenditures as estimated in November 2014. State operations expenditures are estimated at \$54.9 million, which is an increase of \$1.0 million or 1.91% from the \$53.9 million as estimated in November 2014 for FY 2014-15 expenditures. The increase reflects adjustments for employee compensation and retirement rates that should have been reflected in the November Estimate.

2. Budget Year

In FY 2015-16, the anticipated NSA expenditures for local administration are \$301 million, which is unchanged from the 2014 Budget Act and the 2015-16 Governor's Budget. State operations expenditures are estimated at \$55.1 million, which is an increase of \$253,070 or 0.46% from the FY 2014-15 estimated expenditures amount of \$54.9 million, and an increase of \$1.3 million or 2.38% the 2015-16 Governor's Budget amount of \$53.9 million. The increase reflects adjustments for employee compensation and retirement and benefit rates that should have been reflected in the November Estimate.

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 2014	SFY 2014-15			SFY 2015-16				
		2014 November Estimate	2015 May Revision	Change from 2015-16 Governor's Budget	2015-16 Governor's Budget	2015 May Revision	Change from 2015-16 Governor's Budget		
Local Assistance Expenditures	1,136,320,825	1,106,113,677	1,103,223,748	(2,889,929)	-0.26%	1,134,668,224	1,126,206,368	(8,461,856)	-0.75%
Food Expenditures (Food Grant)	835,453,825	805,246,677	802,356,748	(2,889,929)	-0.36%	833,801,224	825,339,368	(8,461,856)	-1.01%
Other Local Assistance (NSA Grant)	300,867,000	300,867,000	300,867,000	-	0.00%	300,867,000	300,867,000	-	0.00%
State Operations (NSA Grant)	53,860,000	53,860,000	54,887,066	1,027,066	1.91%	53,860,000	55,140,136	1,280,136	2.38%

REVENUE COMPARISON (federal funds)									
Fund 0890 Federal Trust Fund	Budget Act 2014	SFY 2014-15			SFY 2015-16				
		2014 November Estimate	2015 May Revision	Change from 2015-16 Governor's Budget	2015-16 Governor's Budget	2015 May Revision	Change from 2015-16 Governor's Budget		
Total Available Resources	1,246,327,000	1,247,688,505	1,234,911,273	(12,777,232)	-1.02%	1,265,201,417	1,218,806,586	(46,394,831)	-3.67%
Food Grant	879,335,000	858,507,870	858,643,415	135,545	0.02%	871,681,904	852,101,579	(19,580,325)	-2.25%
NSA Grant	366,992,000	389,180,635	376,267,858	(12,912,777)	-3.32%	393,519,513	366,705,007	(26,814,506)	-6.81%

EXPENDITURE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	Budget Act 2014	SFY 2014-15			SFY 2015-16				
		2014 November Estimate	2015 May Revision	Change from 2015-16 Governor's Budget	2015-16 Governor's Budget	2015 May Revision	Change from 2015-16 Governor's Budget		
Local Assistance Expenditures	239,248,000	239,414,084	232,729,074	(6,685,010)	-2.79%	242,208,355	237,437,089	(4,771,266)	-1.97%

REVENUE COMPARISON (rebate funds)									
Fund 3023 Manufacturer Rebate	Budget Act 2014	SFY 2014-15			SFY 2015-16				
		2014 November Estimate	2015 May Revision	Change from 2015-16 Governor's Budget	2015-16 Governor's Budget	2015 May Revision	Change from 2015-16 Governor's Budget		
Total Available Resources	239,248,000	239,414,084	232,729,074	(6,685,010)	-2.79%	242,208,355	237,437,089	(4,771,266)	-1.97%

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 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 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 certified 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 obesity.

i. Participation by Category

Participation is determined using the number of participants by category for the prior year multiplied by the changes in birth rates projected for California by the DOF DRU from FY 2013-2014 to FY 2014-15. The DOF DRU projected birth rate growth has been updated since the 2015-16 Governor's Budget (see Appendix A). The revised DOF DRU projected birth rate growth is 0.64% between FY 2013-14 and FY 2014-15 and 0.71% between FY 2014-15 and FY 2015-16. These growth rates were applied to WIC participation to project future months for FY 2014-15 and all months for FY 2015-16 participation. FY 2014-15 was updated with actual participation for July 2014 through January 2015.

*Pregnant Women = Actual monthly average of pregnant women served from prior year * DOF/DRU birth rate growth projection.*

*Breastfeeding Women (up to one year postpartum) = Actual monthly average of breastfeeding women from prior year * DOF/DRU birth rate growth projection.*

*Non-Breastfeeding Women (up to six months postpartum) = Actual monthly average of non-breastfeeding women from prior year * DOF/DRU birth rate growth projection.*

*Infants (0-1 year) = Actual monthly average of infants served from prior year * DOF/DRU birth rate growth projection.*

*Children (1 to 5 years) = Actual monthly average of children from prior year * DOF/DRU birth rate growth projection.*

ii. Food Costs by 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 FY 2013-14, together with actual costs per participant category for July, August and September 2014, were used to update projections for FY 2014-15 and FY 2015-16 food costs in the 2015 May Revision Estimate.

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 projected CPI inflation rate for Food at Home in FY 2014-15 is 3.21% and is 1.17% for FY 2015-16 (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.*

iii. 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 2014	SFY 2014-15			SFY 2015-16				
		2014 November Estimate	2015 May Revision	Change from 2015-16 Governor's Budget	2015-16 Governor's Budget	2015 May Revision	Change from 2015-16 Governor's Budget		
Pregnant	88,830,764	86,347,684	85,116,464	(1,231,220)	-1.43%	88,928,046	86,718,763	(2,209,283)	-2.48%
Breastfeeding	70,822,323	68,842,632	68,707,689	(134,943)	-0.20%	70,899,883	70,000,534	(899,349)	-1.27%
Non-Breastfeeding	37,504,224	36,455,871	36,567,608	111,737	0.31%	37,545,296	37,259,030	(286,266)	-0.76%
Infants	396,738,986	385,648,969	380,941,188	(4,707,780)	-1.22%	397,173,470	388,126,175	(9,047,294)	-2.28%
Children	456,677,286	443,911,818	440,383,260	(3,528,558)	-0.79%	457,177,411	448,687,512	(8,489,899)	-1.86%
Yogurt (New Assumption)	-	-	-	-	0.00%	-	7,945,432	7,945,432	100.00%
Reserve	24,128,242	23,453,787	23,369,614	(84,173)	-0.36%	24,285,473	24,039,011	(246,462)	-1.01%
Total Food Expenditures	1,074,701,825	1,044,660,761	1,035,085,823	(9,574,938)	-0.92%	1,076,009,579	1,062,776,457	(13,233,122)	-1.23%
<i>Food Expenditures Paid from Rebate Funds</i>	<i>239,248,000</i>	<i>239,414,084</i>	<i>232,729,074</i>	<i>(6,685,010)</i>	<i>-2.79%</i>	<i>242,208,355</i>	<i>237,437,089</i>	<i>(4,771,266)</i>	<i>-1.97%</i>
<i>Food Expenditures Paid from Federal Funds</i>	<i>835,453,825</i>	<i>805,246,677</i>	<i>802,356,748</i>	<i>(2,889,929)</i>	<i>-0.36%</i>	<i>833,801,224</i>	<i>825,339,368</i>	<i>(8,461,856)</i>	<i>-1.01%</i>
Other Local Assistance Expenditures (Federal NSA)	300,867,000	300,867,000	300,867,000	-	0.00%	300,867,000	300,867,000	-	0.00%
Total Federal Local Assistance Expenditures (Food + NSA)	1,136,320,825	1,106,113,677	1,103,223,748	(2,889,929)	-0.26%	1,134,668,224	1,126,206,368	(8,461,856)	-0.75%
State Operations (Federal NSA)	53,860,000	53,860,000	54,887,066	1,027,066	1.91%	53,860,000	55,140,136	1,280,136	2.38%

Pregnant Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$85,116,464, a decrease of \$1,231,220 or 1.43% compared to FY 2014-15 expenditures of \$86,347,684 as estimated in the November 2014 Estimate. Food expenditures are estimated to total \$86,718,763 for FY 2015-16, a decrease of \$2,209,283 or 2.48% compared to the 2015-16 Governor's Budget.

Breastfeeding Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$68,707,689, a decrease of \$134,943 or 0.20% compared to FY 2014-15 expenditures of \$68,842,632 as estimated in the November 2014 Estimate. Food expenditures are estimated to total \$70,000,534 for FY 2015-16, a decrease of \$899,349 or 1.27% compared to the 2015-16 Governor's Budget.

Non-Breastfeeding Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$36,567,608, an increase of \$111,737 or 0.31% compared to FY 2014-15 expenditures of \$36,455,871 as estimated in the November 2014 Estimate. Food expenditures are estimated to total \$37,259,030 for FY 2015-16, a decrease of \$286,266 or 0.76% compared to the amount in the 2015-16 Governor's Budget.

Infant Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$380,941,188, a decrease of \$4,707,780 or 1.22% compared to FY 2014-15 expenditures of \$385,648,969 as estimated in the November 2014 Estimate. Food expenditures are estimated to total \$388,126,175 for FY 2015-16, a decrease of \$9,047,294 or 2.28% compared to the 2015-16 Governor's Budget.

Children Expenditure Projections

CDPH/WIC estimates current year food expenditures to total \$440,383,260, a decrease of \$3,528,558 or 0.79% compared to FY 2014-15 expenditures of \$443,911,818 as estimated in the November 2014 Estimate. Food expenditures are estimated to total \$448,687,512 for FY 2015-16, a decrease of \$8,489,899 or 1.86% compared to the 2015-16 Governor's Budget.

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. CDPH/WIC plans to add yogurt as an allowable milk substitution for the quart of milk in October 2015 (to coincide with the next revision of the WIC Authorized Food List Shopping Guide). Yogurt will replace the quart of milk in 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 therefore, will be included in nearly every food package, excluding infant food packages. 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, or \$7.9 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.

Prudent Reserve for Food Expenditures

A prudent 3% reserve for food expenditures is requested at a total of \$23,369,614, a decrease of \$84,173 or 0.36% compared to the reserve for FY 2014-15 expenditures as estimated in the November 2014 Estimate. The reserve request for FY 2015-16 is estimated at \$24,039,011, a decrease of \$246,462 or 1.01% compared to the 2015-16 Governor's Budget.

The USDA allows states a 3% prudent reserve for food inflation and for any unexpected occurrences and natural disasters, such as a drought 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.

II. FUND CONDITION STATEMENT

FUND CONDITION STATEMENT (dollars in thousands)			
3023 WIC Manufacturer Rebate Fund	SFY 13-14 Actuals	SFY 14-15 Estimate	SFY 15-16 Estimate
BEGINNING BALANCE	225	171	273
Prior year adjustment	(3)	-	-
Adjusted Beginning Balance	222	171	273
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
250300 Income from Surplus Money Investments	34	90	90
299600 Miscellaneous Revenue	236,627	232,729	237,437
299900 Sale of Documents	-	12	12
	236,661	232,831	237,539
Total Resources	236,883	233,002	237,812
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	236,712	232,729	237,437
Total Expenditures and Expenditure Adjustments	236,712	232,729	237,437
FUND BALANCE	171	273	375

III. 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 2014-15 and FY 2015-16 participation is derived from WIC actual participation in FY 2013-14, multiplied by DOF DRU's birth projections, and then replaced with actual participation for FY 2014-15 for the months of July 2014 – January 2015. While CDPH/WIC expects modest increases in participation during future years, federal policy changes and demographic trends may impact these estimates. WIC Program participation in California reached its highest levels between 2009 and 2012. The year 2013 marked the first decline in California's WIC Program participation since 1999, following similar participation declines nationwide that began in 2012. A variety of factors may have contributed to this decline, including economic developments, demographic shifts, and technology trends that are factors outside the control of CDPH/WIC. However, new and revitalized retention and outreach efforts may increase the number of eligible persons that CDPH/WIC can serve.

Overall, the number of eligible persons has decreased, potentially due to the decrease in California birth and unemployment rates. However, California has the second highest coverage of eligible persons of all WIC Programs nationwide, behind Puerto Rico, and is currently serving 82% of eligible Californians according to USDA/Food and Nutrition Services (FNS) estimates; the national average is 63%.

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 to the WIC Program. The updated birth rates and projected birth rates from DOF DRU are lower than when the 2015-16 Governor's Budget was completed. Recent trends show a decline in WIC participation as well from the 2015-16 Governor's Budget. Therefore, the revised growth rate of 0.64% for FY 2014-15 tracks closer to recent participation trends than 1.52% as projected in the 2015-16 Governor's Budget. The birth rate for FY 2015-16 was reduced to 0.71% from the 2015-16 Governor's Budget rate of 1.00%.

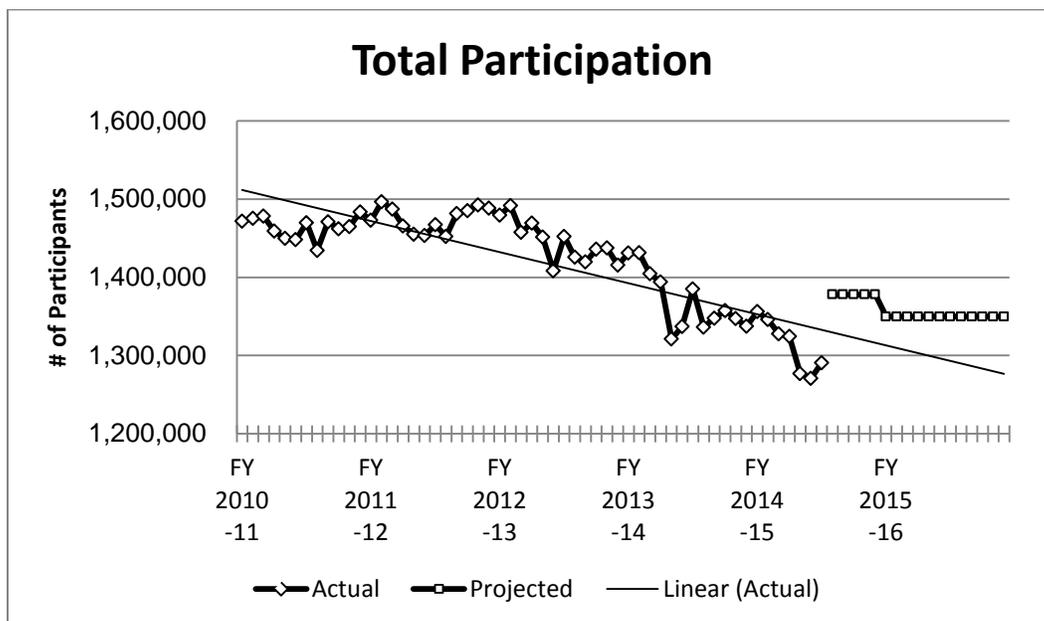
For FY 2013-14, monthly average participation was 1,369,125 people. For July 2014 through January 2015, monthly average participation was 1,313,151 people. CDPH/WIC estimates FY 2014-15 participation will increase by 0.64% over FY 2013-14 average participation for the remaining five months of the fiscal year. This will result in a higher projected monthly participation in the final five months of the 2014-15 fiscal year compared to the first seven months of actual participation in FY 2014-15. The overall estimated monthly average for FY 2014-15 is 1,340,125 participants per month, a decrease of 0.21% compared to FY 2013-14.

CDPH/WIC estimates FY 2015-16 total participation will increase an additional 0.71% over FY 2014-15 estimated participation, for a total of 1,349,640 participants per month.

The following graph shows historical participation trends, along with projected numbers for the current and budget year.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for FY 2014-15, which includes seven months of updated actual participation numbers and five months of updated participation projections using the lower and more current DOF DRU birth rate projection. The 2015-16 Governor’s Budget participation estimates were also included on the graphs for the seven months prior to the May Revise participation estimates being updated.

The participation projection appears to be going down from FY 2014-15 to FY 2015-16 despite WIC’s anticipated participation growth. This is because the projected participation for the remaining months of FY 2014-15 is higher than FY 2014-15 actual participation to account for seasonally higher participation in summer months. If one were to calculate the average participation for FY 2014-15 and compare it to the projected participation for FY 2015-16, one would see the slight increase that is projected for FY 2015-16 participation.



Total Food Expenditures

CDPH/WIC estimates current year food expenditures to total \$1,035,085,823, which is an increase of \$36,400,857 or 3.64% compared to FY 2013-14 actual expenditures of \$998,684,966. This percentage change is reflective of increased participation of 0.64% and increased food inflation of 3.21%. FY 2015-16 food expenditures are estimated at \$1,062,776,457, an increase of \$27,690,634 or 2.68% compared to revised FY 2014-15 projections. This percentage change is reflective of increased participation of 0.71% and increased food inflation of 1.17%.

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 prior to cost containment intervention were on an upward trend with a steep decrease in May 2012, when reimbursements to WIC-authorized vendors were changed. Since that intervention, 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 2015-16 Governor's Budget assumed a 1.10% inflation rate for CDPH/WIC food costs in the current year using DOF ERU projected CPI for Food at Home. However, extenuating circumstances (e.g. drought) increased the DOF ERU inflation prediction to 3.21%. Actual monthly costs per participant were used for the months of July 2014 – September 2014. The inflation rate of 3.21% was applied to all forecasted months for which actual redemption information was not yet available (October 2014 to June 2015). Based on DOF ERU inflation projections for Food at Home, CDPH/WIC food cost estimates assume a 1.17% inflation rate in FY 2015-16.

Below is a chart summarizing total actual food cost expenditures for FY 2013-14 and food cost projections for current and budget year by participant category.

Summary Chart of Budget Estimate Food Cost Projections

Participant Category	2013-14 Actual Participation and Costs			2014-15 Projections			2015-16 Projections		
	Average Annual Monthly Participation	Actual Cost/ PPT*	Total Annual Actual Cost	Average Annual Monthly Participation	Cost/PPT x 1.0321**	Annual Cost Projection	Average Annual Monthly Participation	Cost/PPT x 1.0117	Annual Cost Projection
Pregnant	128,340	\$ 54.92	\$ 84,581,194	125,120	\$ 56.69	\$ 85,116,464	126,008	\$ 57.35	\$ 86,718,763
Breastfeeding	101,509	\$ 55.08	\$ 67,093,554	100,928	\$ 56.73	\$ 68,707,689	101,645	\$ 57.39	\$ 70,000,534
Non-Breastfeeding	75,201	\$ 39.60	\$ 35,735,713	74,433	\$ 40.94	\$ 36,567,608	74,962	\$ 41.42	\$ 37,259,030
Infants	277,488	\$ 112.93	\$ 376,040,186	274,612	\$ 115.60	\$ 380,941,188	276,561	\$ 116.95	\$ 388,126,175
Children	786,587	\$ 46.11	\$ 435,234,319	765,032	\$ 47.97	\$ 440,383,260	770,464	\$ 48.53	\$ 448,687,512
Yogurt (New Assumption)									\$ 7,945,432
3% Reserve						\$ 23,369,614			\$ 24,039,011
Subtotal	1,369,125		\$ 998,684,966	1,340,125		\$1,035,085,823	1,349,640		\$1,062,776,457
Food Expenditures charged to Rebate Funds			\$(238,582,580)			\$(232,729,074)			\$(237,437,089)
Food Expenditures charged to Federal Funds			\$ 760,102,386			\$ 802,356,748			\$ 825,339,368
NSA			\$ 300,867,000			\$ 300,867,000			\$ 300,867,000
State Ops			\$ 53,860,000			\$ 54,887,066			\$ 55,140,136

*These numbers were not used to calculate the 2015-16 Governor's Budget

**Actual Cost/PPT reported for Jul-Sep 2014-15; inflation % applied to Oct-Jun 2015, only

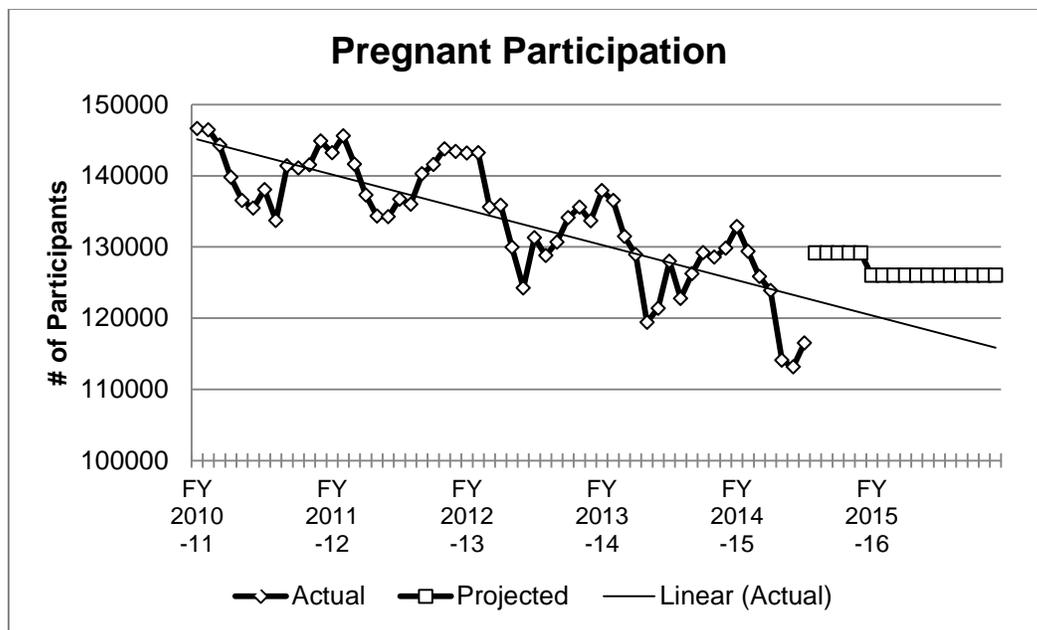
APPENDIX B: Participant and Food Cost Projections by Category

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.

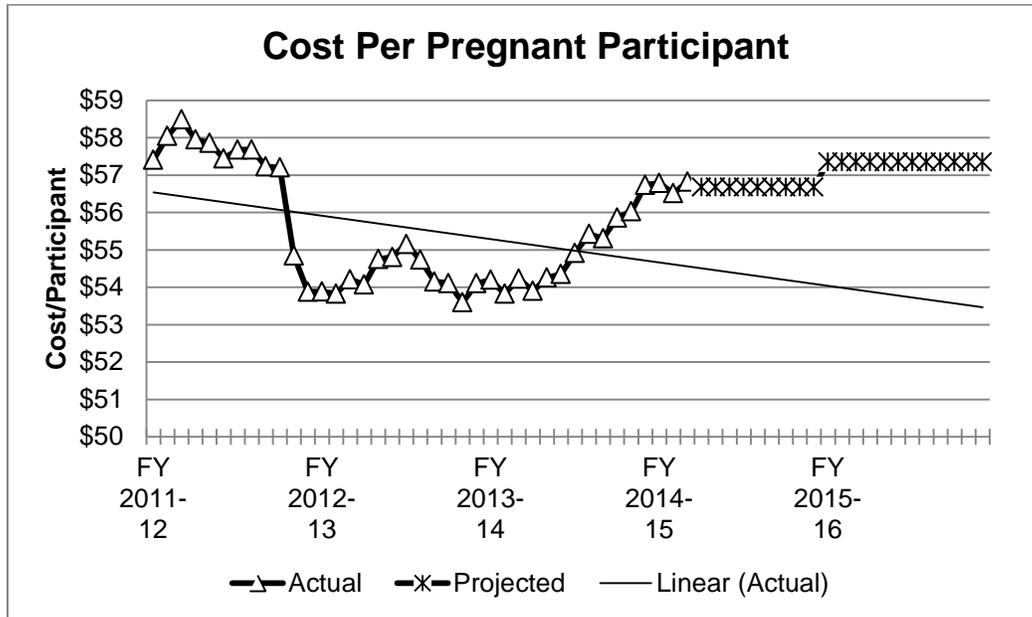
Pregnant Participation

CDPH/WIC estimates current year (FY 2014-15) pregnant participation will total 125,120 participants monthly, a decrease of 3,220 or 2.51% compared to the FY 2013-14 actual totals of 128,340 participants monthly. Pregnant participation in FY 2015-16 is estimated to be 126,008 participants monthly, an increase of 888 participants or 0.71% compared to the revised current year estimate.



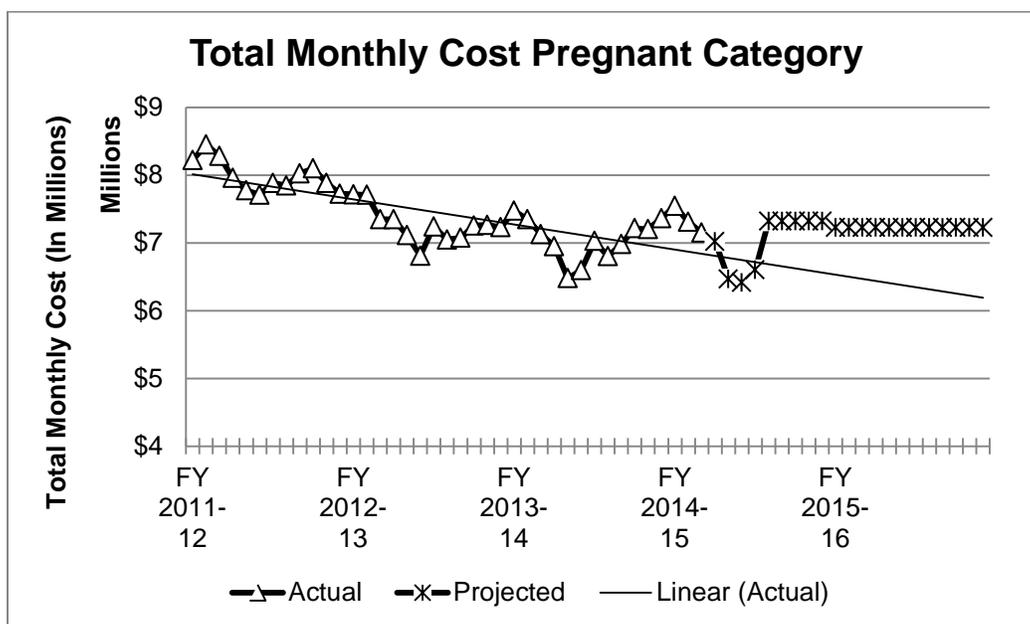
Costs per Pregnant Participant

For FY 2014-15, CDPH/WIC estimates average cost per pregnant participant will be \$56.69, which is an increase of \$1.77 or 3.22% compared to FY 2013-14 actual average cost per pregnant participant of \$54.92. For FY 2015-16, CDPH/WIC estimates average cost per pregnant participant will be \$57.35, which is an increase of \$0.66 or 1.17% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Expenditures for Pregnant Women

For FY 2014-15, CDPH/WIC estimates expenditures for pregnant women will total a monthly average of \$7,093,059, or \$85,116,464 annually, which is an annual increase of \$535,270 or 0.63% when compared to the FY 2013-2014 actual amount of \$84,581,194. For FY 2015-16, CDPH/WIC estimates expenditures for pregnant women will total a monthly average of \$7,226,564, or \$86,718,763 annually, which is an annual increase of \$1,602,299 or 1.88% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2013-14 and projected expenditures for FY 2014-15 and FY 2015-16.

Participant Category Comparison: Pregnant								
Factor	SFY 2013-14	SFY 2014-15				SFY 2015-16		
	Actuals	2014 November Estimate	2015 May Revision	Change from SFY 2013-14 Actuals		2015 May Revision	Change from SFY 2014 May Revision	
Average monthly participation*	128,340	130,288	125,120	-3,220	-2.51%	126,008	888	0.71%
Average cost per participant*	\$ 54.92	\$ 55.23	\$ 56.69	\$ 1.77	3.22%	\$ 57.35	\$ 0.66	1.16%
Annual Expenditures**	\$ 84,581,194	\$ 86,347,684	\$ 85,116,464	\$ 535,270	0.63%	\$ 86,718,763	\$1,602,299	1.88%

*These numbers were not used to calculate the 2015-16 Governor's Budget

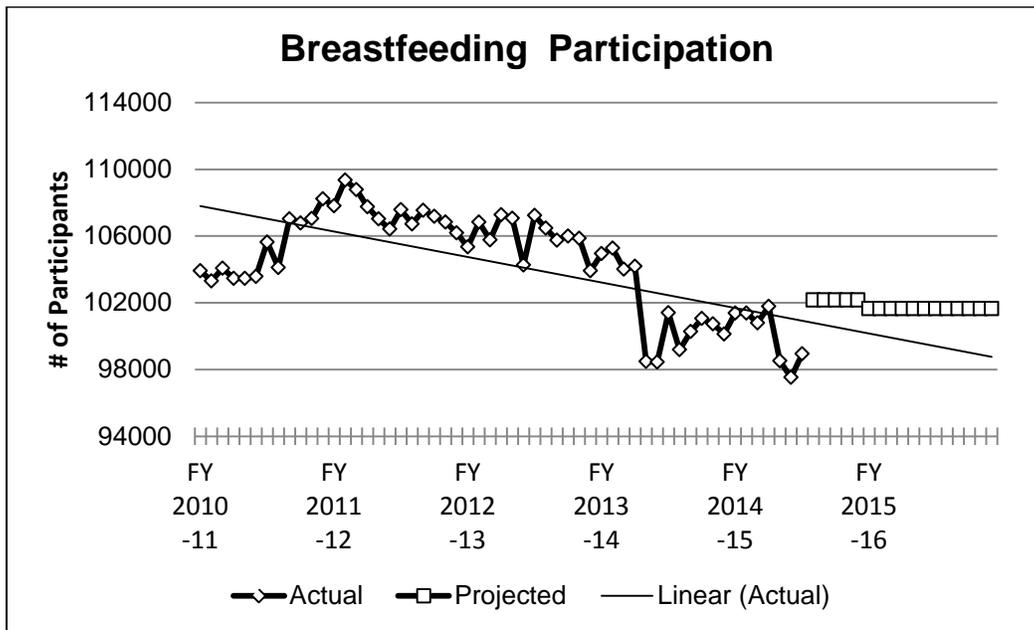
** Numbers rounded to the nearest dollar

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.

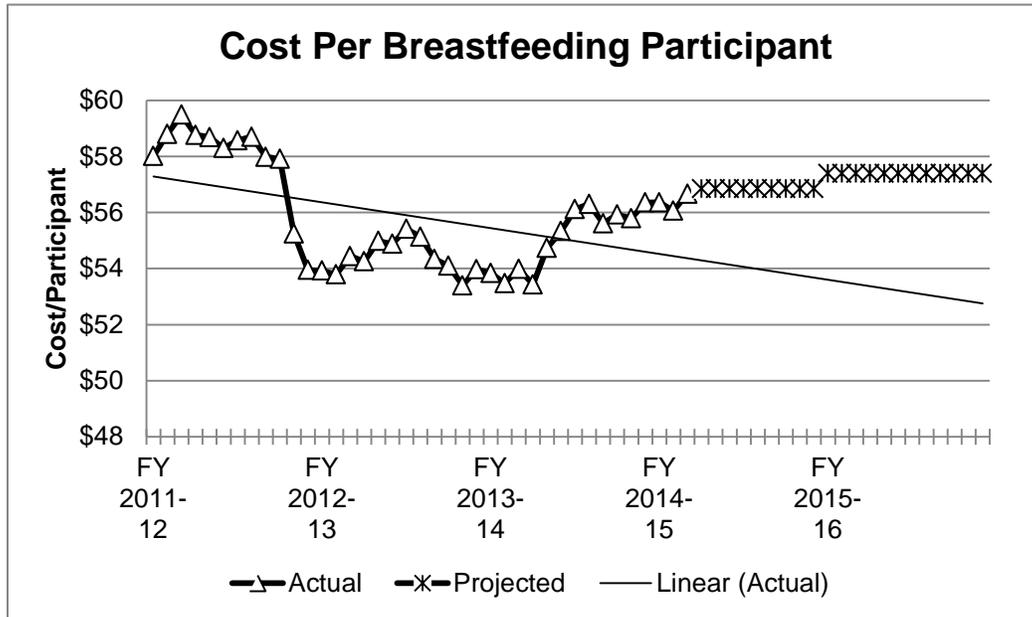
Breastfeeding Participation

CDPH/WIC estimates current year (FY 2014-15) breastfeeding participation will total 100,928 participants, a decrease of 581 or 0.57% compared to FY 2013-14 actual totals of 101,509 participants monthly. Breastfeeding participation in FY 2015-16 is estimated to be 101,645 participants monthly, an increase of 717 participants or 0.71% compared to the revised current year estimate.



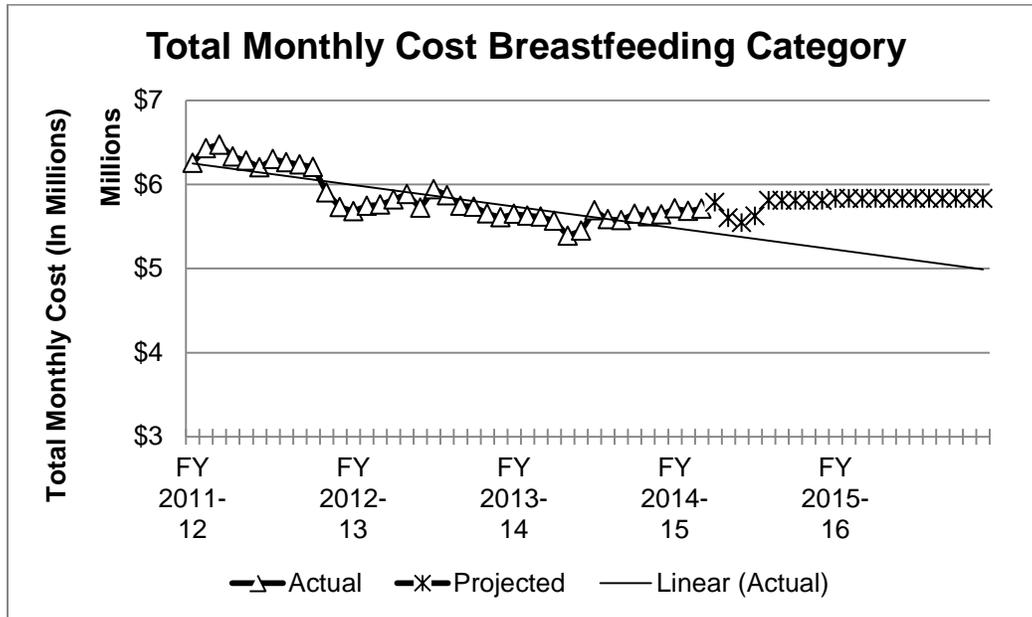
Costs per Breastfeeding Participant

For FY 2014-15, CDPH/WIC estimates average cost per breastfeeding participant will be \$56.73, which is an increase of \$1.65 or 3.00% compared to FY 2013-14 actual average cost per breastfeeding participant of \$55.08. For FY 2015-16, CDPH/WIC estimates average cost per breastfeeding participant will be \$57.39, which is an increase of \$0.66 or 1.16% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Breastfeeding Expenditures

For FY 2014-15, CDPH/WIC estimates that breastfeeding expenditures will total a monthly average of \$5,725,641, or \$68,707,689 annually, which is an annual increase of \$1,614,135 or 2.41% compared to the FY 2013-14 actual amount of \$67,093,554. For FY 2015-16, CDPH/WIC estimates breastfeeding expenditures will total a monthly average of \$5,833,378, or \$70,000,534 annually, which is an annual increase of \$1,292,846 or 1.88% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2013-14 and projected expenditures for FY 2014-15 and FY 2015-16.

Participant Category Comparison: Breastfeeding								
Factor	SFY 2013-14	SFY 2014-15				SFY 2015-16		
	Actuals	2014 November Estimate	2015 May Revision	Change from SFY 2013-14 Actuals		2015 May Revision	Change from SFY 2014 May Revision	
Average monthly participation*	101,509	103,050	100,928	-581	-0.57%	101,645	717	0.71%
Average cost per participant*	\$ 55.08	\$ 55.67	\$ 56.73	\$ 1.65	3.00%	\$ 57.39	\$ 0.66	1.16%
Annual Expenditures**	\$ 67,093,554	\$ 68,842,632	\$ 68,707,689	\$1,614,135	2.41%	\$ 70,000,534	\$1,292,846	1.88%

*These numbers were not used to calculate the 2015-16 Governor's Budget

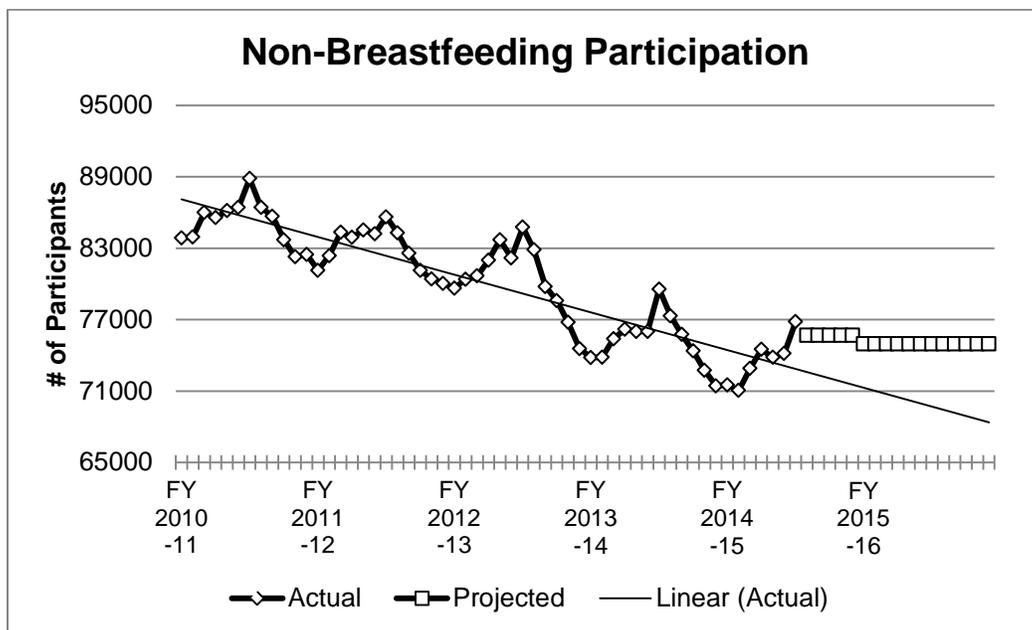
** Numbers rounded to the nearest dollar

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.

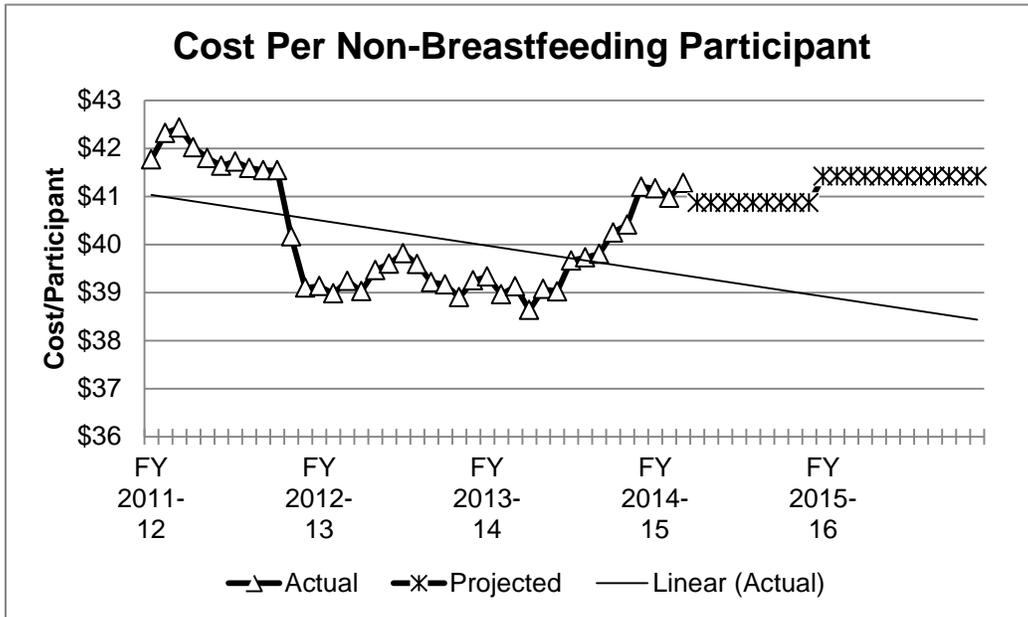
Non-Breastfeeding Participation

CDPH/WIC estimates current year (FY 2014-15) non-breastfeeding participation will total 74,433 participants monthly, a decrease of approximately 768 or 1.02% compared to the FY 2013-14 actual totals of 75,201 participants monthly. Non-breastfeeding participation in FY 2015-16 is estimated to be 74,962 participants monthly, an increase of 529 or 0.71% compared to the current year estimate.



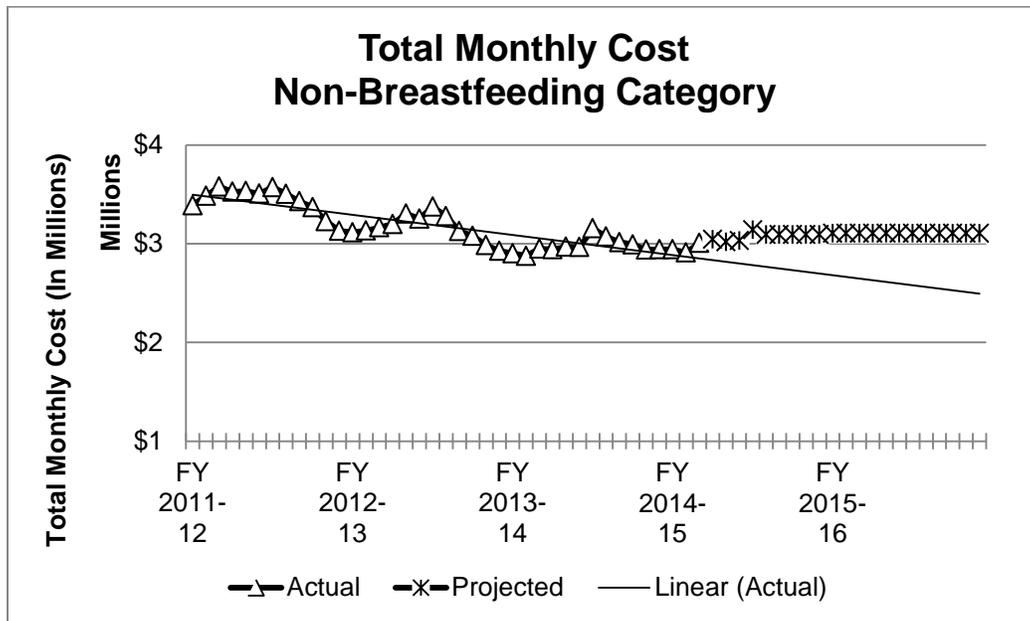
Costs per Non-Breastfeeding Participant

For FY 2014-15, CDPH/WIC estimates average cost per non-breastfeeding participant will be \$40.94, which is an increase of \$1.34 or 3.38% compared to FY 2013-14 actual average cost per breastfeeding participant of \$39.60. For FY 2015-16, CDPH/WIC estimates average cost per non-breastfeeding participant will be \$41.42, which is an increase of \$0.48 or 1.17% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Non-Breastfeeding Expenditures

For FY 2014-15, CDPH/WIC estimates non-breastfeeding expenditures will total a monthly average of \$3,047,301, or \$36,567,608 annually, which is an annual increase of \$831,895 or 2.33% compared to the 2013-2014 actual amount of \$35,735,713. For FY 2015-16, CDPH/WIC estimates non-breastfeeding expenditures will total a monthly average of \$3,104,919, or \$37,259,030 annually, which is an annual increase of \$691,030 or 1.89% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2013-14 and projected expenditures for FY 2014-15 and FY 2015-16.

Participant Category Comparison: Non-Breastfeeding								
Factor	SFY 2013-14	SFY 2014-15				SFY 2015-16		
	Actuals	2014 November Estimate	2015 May Revision	Change from SFY 2013-14 Actuals		2015 May Revision	Change from SFY 2014 May Revision	
Average monthly participation*	75,201	76,343	74,433	-768	-1.02%	74,962	529	0.71%
Average cost per participant*	\$ 39.60	\$ 39.79	\$ 40.94	\$ 1.34	3.38%	\$ 41.42	\$ 0.48	1.17%
Annual Expenditures**	\$ 35,735,713	\$ 36,455,871	\$ 36,567,608	\$ 831,895	2.33%	\$ 37,259,030	\$ 691,422	1.89%

*These numbers were not used to calculate the 2015-16 Governor's Budget

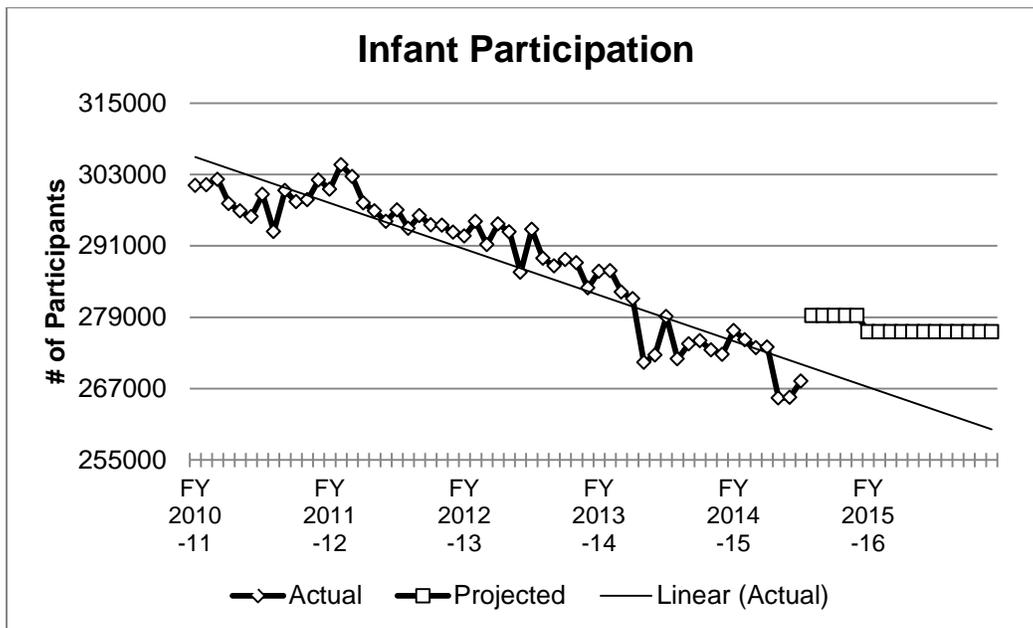
** Numbers rounded to the nearest dollar

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.

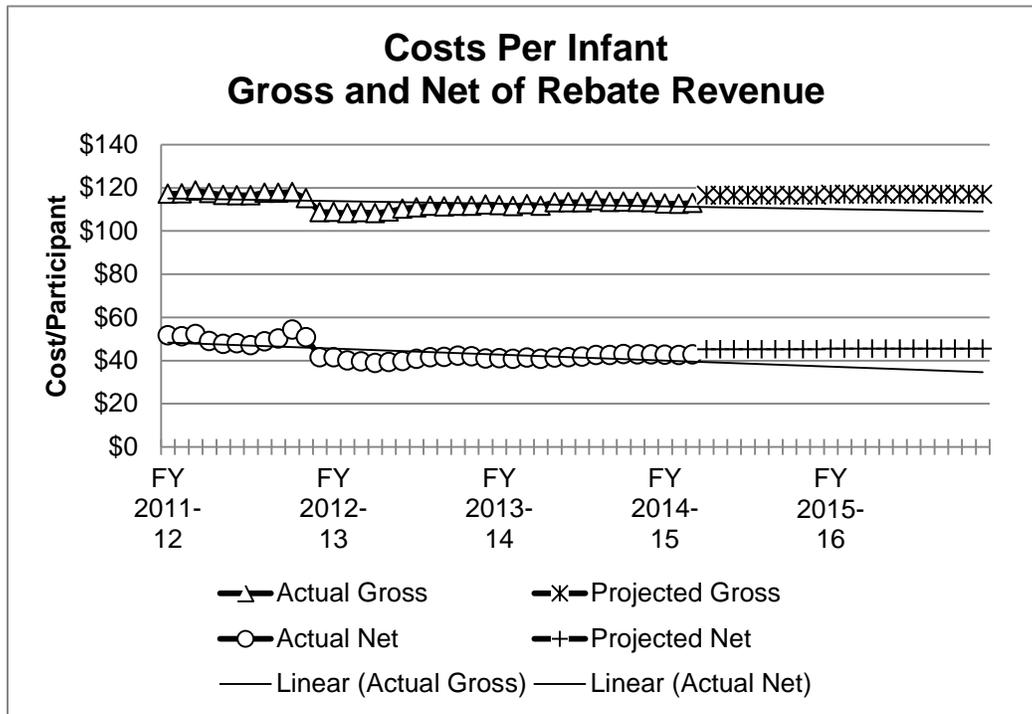
Infant Participation

CDPH/WIC estimates current year (FY 2014-15) infant participation will total 274,612 participants monthly, a decrease of approximately 2,876 or 1.04% compared to the FY 2013-14 actual totals of 277,488 participants monthly. Infant participation in FY 2015-16 is estimated to be 276,561 participants monthly, an increase of 1,949 or 0.71% compared to the current year estimate.



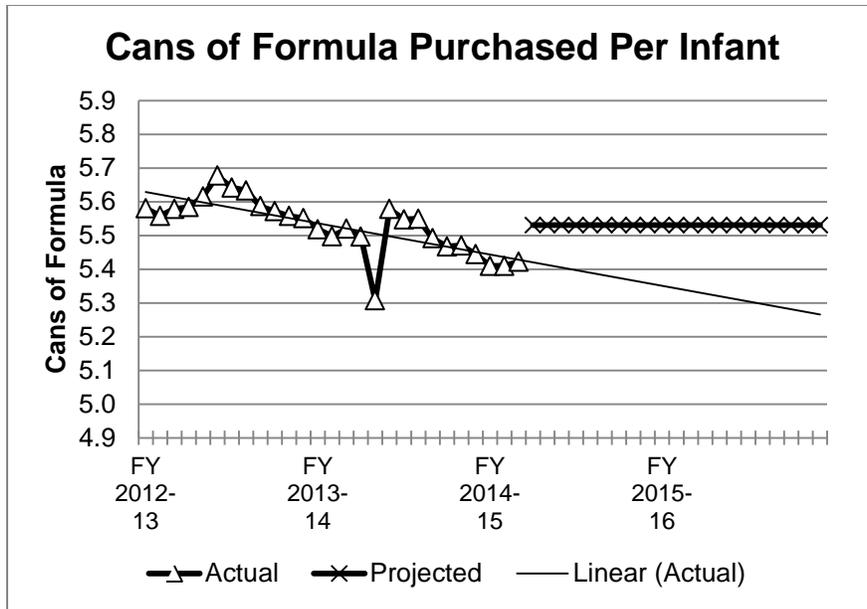
Cost per Infant Participant

For FY 2014-15, CDPH/WIC estimates average cost per infant participant will be \$115.60, which does not reflect the infant formula rebate amount. This is an increase of \$2.67 or 2.36% compared to FY 2013-14 actual average cost per breastfeeding participant of \$112.93. For FY 2015-16, CDPH/WIC estimates average cost per infant participant will be \$116.95, which is an increase of \$1.35 or 1.17% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Infant Formula Rebate Revenue

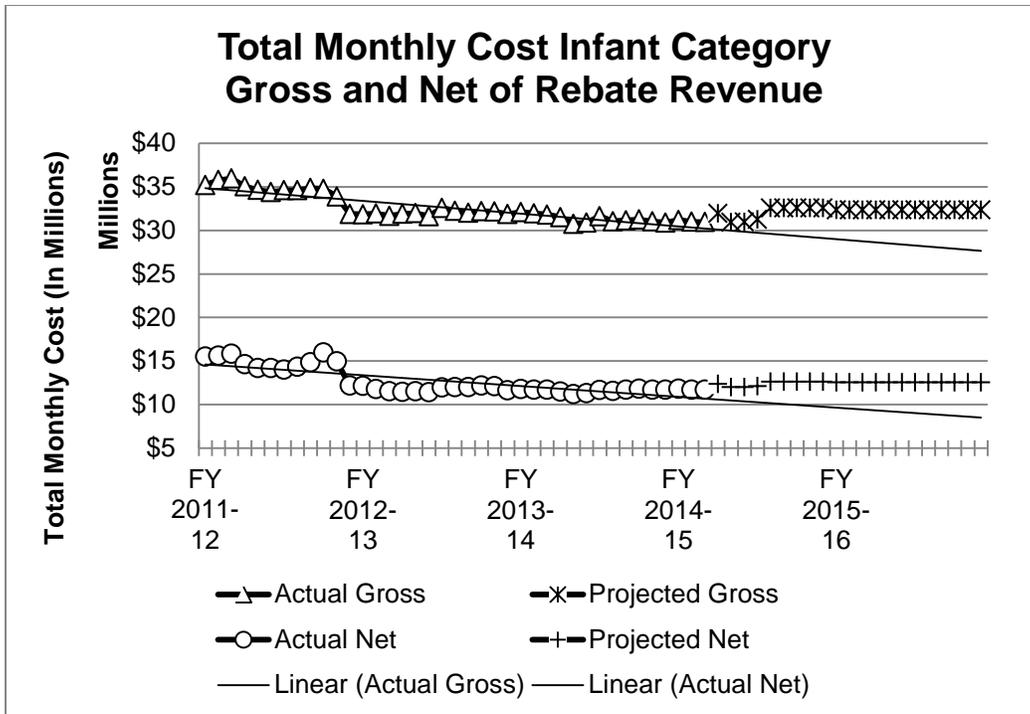
Annual infant formula rebate revenue is estimated by calculating the projected cans of infant formula that will be purchased for the number of infants projected to be served in the fiscal year. Based on the food policy of formula issuance and redemption trends, the program as a whole prescribes approximately 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 2014-15, CDPH/WIC estimates infant expenditures will total a monthly average of \$3,047,301, or \$380,941,188 annually, which is an annual decrease of \$4,901,002 or 1.30% compared to the FY 2013-14 actual amount of \$376,040,186. For FY 2015-16, CDPH/WIC estimates infant expenditures will total a monthly average of \$32,343,848, or \$388,126,175 annually, which is an annual increase of \$7,184,987 or 1.89% compared to the revised current year estimate.



Participant Category Comparison: Infant								
Factor	SFY 2013-14	SFY 2014-15				SFY 2015-16		
	Actuals	2014 November Estimate	2015 May Revision	Change from SFY 2013-14 Actuals		2015 May Revision	Change from SFY 2014 May Revision	
Average monthly participation*	277,488	281,699	274,612	-2,876	-1.04%	276,561	1,949	0.71%
Average cost per participant*	\$ 112.93	\$ 114.08	\$ 115.60	\$ 2.67	2.36%	\$ 116.95	\$ 1.35	1.17%
Annual Expenditures**	\$ 376,040,186	\$385,648,969	\$380,941,188	\$4,901,002	1.30%	\$388,126,175	\$7,184,987	1.89%

*These numbers were not used to calculate the 2015-16 Governor's Budget

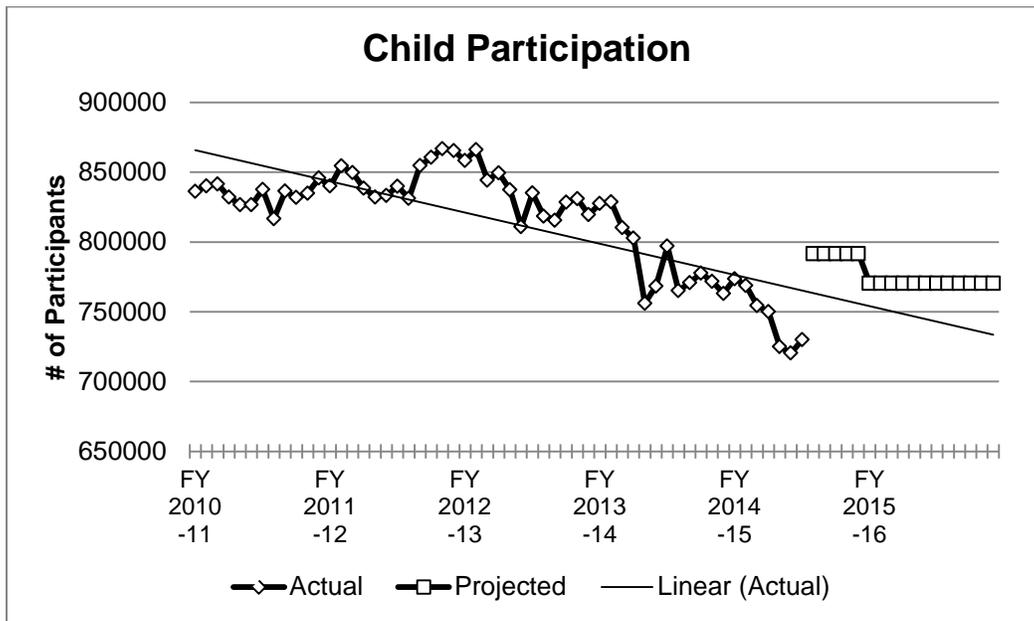
** Numbers rounded to the nearest dollar

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.

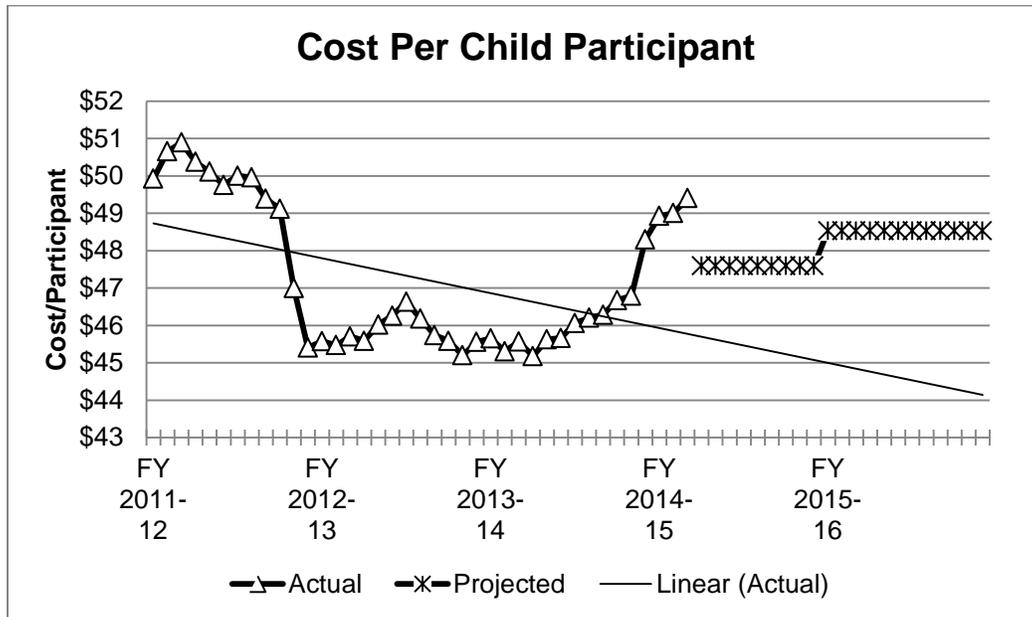
Child Participation

CDPH/WIC estimates current year (FY 2014-15) child participation will total 765,032 participants monthly, a decrease of approximately 21,555 or 2.74% compared to FY 2013-14 actual total of 786,587 participants per month. Child participation in FY 2015-16 is estimated to be 770,464 participants monthly, an increase of approximately 5,432 or 0.71% compared to the current year estimate.



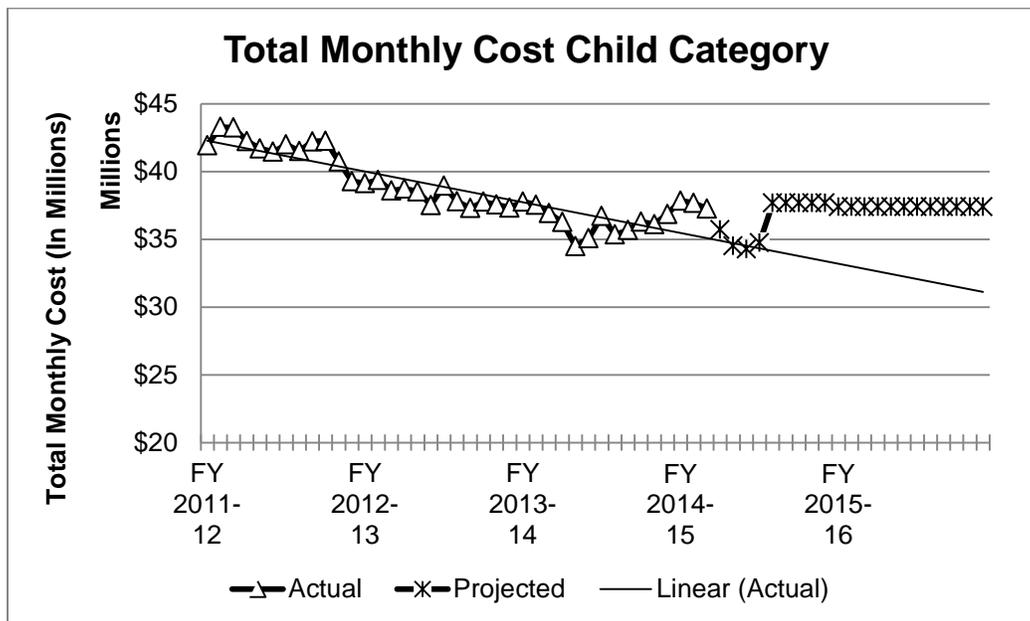
Costs per Child Participant

For FY 2014-15, CDPH/WIC estimates average cost per child participant will be \$47.97, which is an increase of \$1.86 or 4.03% compared to FY 2013-14 actual average cost per child participant of \$46.11. For FY 2015-16, CDPH/WIC estimates average cost per child participant will be \$48.53, which is an increase of \$0.56 or 1.17% compared to the revised current year estimate. These cost increases are the result of projected food cost inflation.



Child Expenditures

For FY 2014-15, CDPH/WIC estimates child expenditures will total a monthly average of \$36,698,605 or \$440,383,260 annually, which is a decrease of \$5,148,941 or 1.18% compared to the FY 2013-14 actual amount of \$435,234,319. For FY 2015-16, CDPH/WIC estimates child expenditures will total a monthly average of \$37,390,626 or \$448,687,512 annually, which is an increase of \$8,304,252 or 1.89% compared to the revised current year estimate.



The table below shows the actual expenditures for FY 2013-14 and projected expenditures for FY 2014-15 and FY 2015-16.

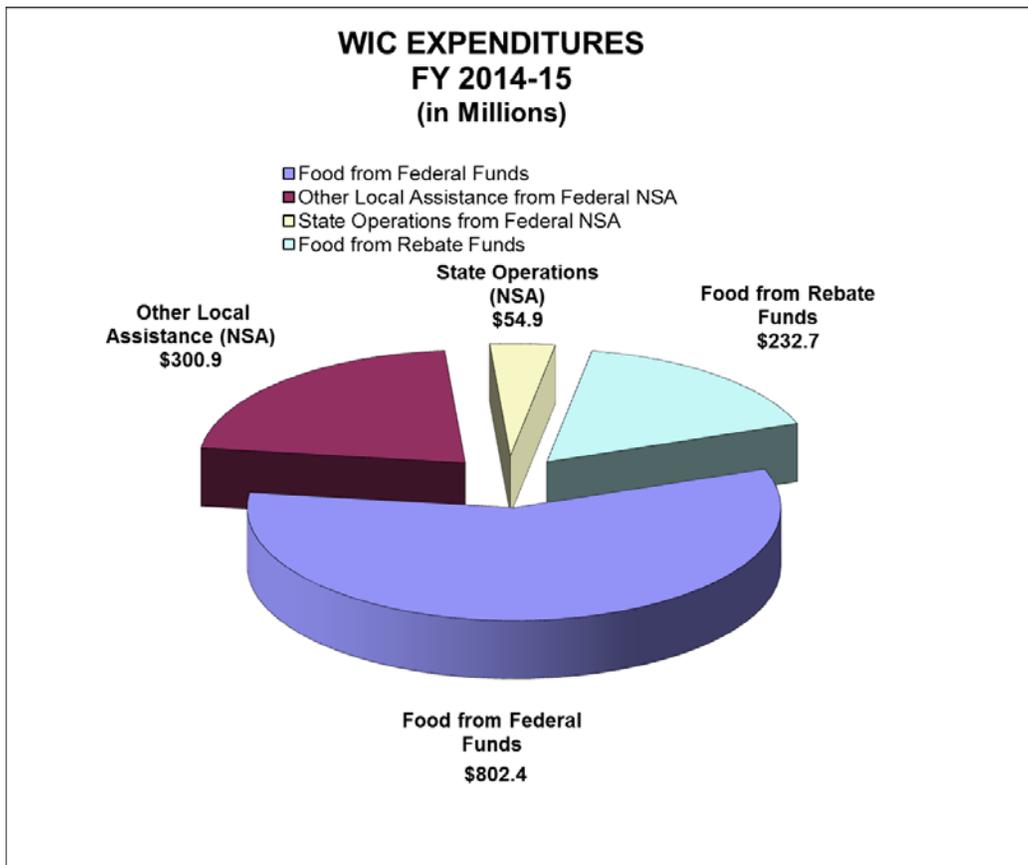
Participant Category Comparison: Child								
Factor	SFY 2013-14	SFY 2014-15				SFY 2015-16		
	Actuals	2014 November Estimate	2015 May Revision	Change from SFY 2013-14 Actuals		2015 May Revision	Change from SFY 2014 May Revision	
Average monthly participation*	786,587	798,526	765,032	-21,555	-2.74%	770,464	5,432	0.71%
Average cost per participant*	\$ 46.11	\$ 46.33	\$ 47.97	\$ 1.86	4.03%	\$ 48.53	\$ 0.56	1.17%
Annual Expenditures**	\$ 435,234,319	\$443,911,818	\$440,383,260	\$5,148,941	1.18%	\$448,687,512	\$8,304,252	1.89%

*These numbers were not used to calculate the 2015-16 Governor's Budget

** Numbers rounded to the nearest dollar

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

CALIFORNIA WIC PROGRAM EXPENDITURES			
	PY SFY 2013-14 (Actual)	CY SFY 2014-15 (Estimated)	BY SFY 2015-16 (Proposed)
LOCAL ASSISTANCE			
0890 <i>Federal Grant for Food</i>	\$ 768,789,815	\$ 802,356,748	\$ 825,339,368
0890 <i>Federal Grant for Administration</i>	\$ 280,079,688	\$ 300,867,000	\$ 300,867,000
Total Federal Funds	\$ 1,048,869,503	\$ 1,103,223,748	\$ 1,126,206,368
3023 <i>WIC Manufacturer Rebate Fund</i>	\$ 236,711,664	\$ 232,729,074	\$ 237,437,089
Total Other Funds	\$ 236,711,664	\$ 232,729,074	\$ 237,437,089
TOTAL LOCAL ASSISTANCE	\$ 1,285,581,167	\$ 1,335,952,823	\$ 1,363,643,457
STATE OPERATIONS			
0890 <i>Federal Grant</i>	\$ 49,409,406	\$ 54,887,066	\$ 55,140,136
TOTAL STATE OPERATIONS	\$ 49,409,406	\$ 54,887,066	\$ 55,140,136
GRAND TOTAL WIC PROGRAM	\$ 1,334,990,573	\$ 1,390,839,889	\$ 1,418,783,593



APPENDIX D: Revenue Projections

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

CDPH/WIC has revised federal revenue estimates for FY 2014-15 totaling \$1.234 billion, which is a decrease of \$14.0 million, or 1.12%, compared to the 2015-16 Governor's Budget amount of \$1.248 billion.

For FY 2015-16, CDPH/WIC projects federal revenue will total \$1.219 billion, which is a decrease of \$46.0 million, or 3.64%, compared to the 2015-16 Governor's Budget amount of \$1.265 billion. This decrease is based on budgeted amounts in the federal H.R. 83 Consolidated and Further Continuing Appropriations Act, 2015.

REVENUE COMPARISON (all funds)									
Revenue Source	2013-14 Actual	SFY 2014-15				SFY 2015-16			
		2014-15 November 2014 Estimate	May Revision	Change from 2015-16 Governor's Budget	2015-16 Governor's Budget	May Revision	Change from 2015-16 Governor's Budget		
		Federal Food Grant	878,268,921	858,507,870	858,643,415	135,545	0.02%	871,681,904	852,101,579
Rebate Food Funds	236,627,413	239,414,084	232,729,074	(6,685,010)	-2.79%	242,208,355	237,437,089	(4,771,266)	-1.97%
Total Funds for Food	1,114,896,334	1,097,921,954	1,091,372,489	(6,549,465)	-0.60%	1,113,890,259	1,089,538,668	(24,351,591)	-2.19%
Federal NSA Grant	374,832,134	389,180,635	376,267,858	(12,912,777)	-3.32%	393,519,513	366,705,007	(26,814,506)	-6.81%
Total Federal Funds	1,253,101,055	1,247,688,505	1,234,911,273	(12,777,232)	-1.02%	1,265,201,417	1,218,806,586	(46,394,831)	-3.67%

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 support state operations and reimburse local WIC agencies for direct services provided to WIC participants.

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 2014	\$ 6,715,841,000	\$ 248,000,000	70.93%	17.93%	\$ 822,649,262
FFY 2015	\$ 6,623,000,000	\$ 155,000,000	71.22%	17.88%	\$ 823,860,148

California's base 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 that 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. California has typically applied for reallocations and has been successful in receiving these additional funds. In addition, states are eligible to receive WIC Program contingency funds, when authorized by the USDA Secretary, if the annual federal appropriation and supplemental reallocations are insufficient.

In FY 2014-15, Food Grant revenue is expected to total \$859 million, which is an increase of \$135,545, or 0.02%, compared to the 2015-16 Governor's Budget amount.

In FY 2015-16, Food Grant revenue is expected to total \$852 million, which is a decrease of \$19.6 million, or 2.25%, compared to the 2015-16 Governor's Budget amount.

WIC RESOURCES FOR FOOD			
	FFY 2014	FFY 2015	Prorate to SFY 14/15
Base Appropriation	\$ 822,649,262	\$ 823,860,148	\$ 823,557,427
Reallocations & Voluntary Recovery	\$ 55,619,659	\$ 28,241,431	\$ 35,085,988
Total	\$ 878,268,921	\$ 852,101,579	\$ 858,643,415
	FFY 2015	FFY 2016	Prorate to SFY 15/16
Base Appropriation	\$ 823,860,148	\$ 823,860,148	\$ 823,860,148
Reallocations & Voluntary Recovery	\$ 28,241,431	\$ 28,241,431	\$ 28,241,431
Total	\$ 852,101,579	\$ 852,101,579	\$ 852,101,579

3. NSA Grant

Approximately 29% of the national WIC Program 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 2014	\$ 6,715,841,000	\$ 248,000,000	29.07%	16.84%	\$ 316,613,080
FFY 2015	\$ 6,623,000,000	\$ 155,000,000	28.78%	16.65%	\$ 310,003,002

In FY 2014-15, NSA Grant revenue is expected to total \$376 million, which is a decrease of \$12.9 million, or 3.32%, compared to the 2015-16 Governor's Budget amount of \$389 million.

In FY 2015-16, NSA Grant revenue is expected to total \$367 million, which is a decrease of \$26.8 million, or 6.81%, compared to the 2015-16 Governor's Budget amount of \$394 million.

WIC RESOURCES FOR NSA			
	FFY 2014	FFY 2015	Prorate to SFY 14/15
Base Appropriation, NSA*	\$ 300,782,426	\$ 294,502,852	\$ 296,072,746
WIC EBT Grant**	\$ 204,774	\$ -	\$ -
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
Toddler Behavior	\$ 76,145	\$ -	\$ 19,036
Reallocations, Transfers & Contingency	\$ 27,280,179	\$ 33,559,753	\$ 31,989,860
Spendforward	\$ 36,645,130	\$ 36,859,749	\$ 36,806,094
Total	\$ 376,368,777	\$ 376,302,477	\$ 376,267,858
	FFY 2015	FFY 2016	Prorate to SFY 15/16
Base Appropriation, NSA	\$ 294,502,852	\$ 288,856,848	\$ 290,268,349
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
Sequester	\$ -	\$ -	\$ -
Reallocations, Transfers & Contingency	\$ 33,559,753	\$ 27,849,889	\$ 29,277,355
Spendforward	\$ 36,859,749	\$ 35,418,990	\$ 35,779,180
Total	\$ 376,302,477	\$ 363,505,850	\$ 366,705,007

* 5% is subtracted from Total Allocated NSA for Regional Contribution to Operational Adjustment funds to arrive at this amount

** This amount is for display only. All funds were expended in FY 2013-14.

4. Infant Formula Rebate Funds: 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 Rebate Fund revenues will total \$233 million, a decrease of \$6.7 million, or 2.79%, compared to the 2015-16 Governor's Budget amount of \$239 million. In FY 2015-16, CDPH/WIC estimates infant formula Rebate Fund revenues to total \$237 million, which is a decrease of \$4.8 million, or 1.97%, compared to the 2015-16 Governor's Budget amount. This is primarily due to lower than projected infant participation.

APPENDIX E: Future Fiscal Considerations and New, Discontinued, Existing, Unchanged Assumptions/Premises

1. Future Fiscal Considerations

a. Lifting of the New Vendor Authorization Moratorium

Background: In June 2014, the USDA approved a phased-in lifting of the new vendor authorization moratorium by allowing CDPH/WIC to begin accepting applications from vendors who have existing vendor agreements with CDPH/WIC. Between April 2011 and June 2014, CDPH/WIC operated under a federally-imposed moratorium, limiting its ability to authorize new vendors. The partial lifting in June 2014 was the first phase of an overall lifting of the moratorium.

Description of Change: The partial lifting of the moratorium and the implementation of the vendor authorization criteria and new vendor peer groups are having an impact on the overall vendor distribution within the new peer groups. On June 1, 2014, CDPH/WIC implemented the first phase of lifting the moratorium along with the new vendor peer groups and reimbursement rates. Between June 2014 and January 2015, the total number of WIC-authorized stores slightly decreased and the peer group distribution of vendors shifted. Because reimbursement is dependent on the peer group of a given vendor, these changes may have an impact on food costs. CDPH/WIC implemented the second phase of the moratorium lift on September 15, 2014, and fully lifted the moratorium on February 1, 2015, allowing all vendors to apply for authorization in California. CDPH/WIC is closely monitoring changes to redemptions as the Program authorizes additional vendors. Thus far, redemption values have remained stable through the phased lifting of the moratorium. CDPH/WIC will report on program costs in future estimates after redemption data following the final phase of the moratorium lift becomes available.

Discretionary?: No

Reason for Adjustment/ Change:

- Newly implemented regulations.
- Participant shopping patterns may remain the same or change based on future changes to the make-up of the authorized vendor community.

Fiscal Impact (Range) and Fund Source(s): Unknown.

b. Impact of Proposition 2 on California Egg Prices

Background: In 2008, voters approved Proposition 2. This measure established new requirements related to egg-laying hen enclosures to provide hens that create eggs for human consumption with more space to move within an enclosure. Proposition 2's requirements apply to all hens raised in California that lay eggs for human consumption. In 2010, the Governor signed AB 1437 (Huffman) into law. This bill prohibited all California food retailers from selling eggs from hens raised in enclosures that do not comply with Proposition 2 and established penalties for persons selling non-compliant

eggs in California. The legislation also stated that AB 1437 was intended to prevent Californians from consuming eggs containing certain hazardous bacteria and viruses due to the hens' exposure to stress.

Description of Change: In the time since Proposition 2 has gone into effect, California egg wholesale prices, as reported by the USDA, have more than doubled. CDPH/WIC food costs have been consistent thus far with DOF ERU inflation rates.

Discretionary?: No.

Reasons for Adjustment/Change:

- Proposition 2 and AB 1437, effective January 2015.
- DOF ERU CPI projected inflation rates account for the increase in food prices.

Fiscal Impact (Range) and Fund Source(s): Unknown for budget year.

2. New Assumptions/Premises

a. Yogurt Allowable as a Replacement for Milk

Background: On March 4, 2014, the USDA published revised WIC Program 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 October 2015 (to coincide with the next revision of the WIC Authorized Food List Shopping Guide).

Description of Change: Analysis shows that the addition of yogurt may result in CDPH/WIC spending more food dollars because a quart of yogurt (average cost of \$2.88 per quart) is more expensive than a quart of milk (average cost of \$1.95 per quart). Yogurt will replace the quart of milk and, therefore, will be included in nearly every food package. Approximately 78 Food Instruments contain the quart of milk in addition to the gallons of milk, and about 949,275 Food Instruments are issued to women or children each month. Using the difference in price between a quart of milk and 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 by limiting more expensive options, 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

Reasons for Adjustment/Change:

- Final USDA food package regulations allow states to offer one quart of yogurt in lieu of one quart of milk.
- California is opting to offer yogurt as an allowable option for participants to purchase.

Fiscal Impact (Range) and Fund Source(s): Federal Fund 0890; \$7.9 million in FY 2015-16, and \$10.6 million annually thereafter.

3. Discontinued Assumptions/Premises**a. Food Cost Containment Strategies**

Evaluation of redemption data from May 2014 to November 2014 shows CDPH/WIC food costs per participant are increasing at a rate equal to that of DOF ERU CPI food inflation rates for California, leading us to conclude that implementation of the food cost containment strategies resulted in a neutral cost impact from the USDA-mandated Maximum Allowable Department Reimbursement rates. The goal of implementing food cost containment strategies was to ensure vendor reimbursements fluctuate comparably to the rate of California food inflation. Using this measure, the cost containment strategies successfully achieved this goal. As of January 2015, this assumption has been incorporated into the base estimate.

4. Existing (Significantly Changed) Assumptions/Premises

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

5. Unchanged Assumptions/Premises**a. Changes to Forecasting of Participation Levels and Food Costs**

In previous budget Estimates, CDPH/WIC calculated food costs based on the total aggregated participant counts at the statewide level. In the 2015-16 Governor's Budget, CDPH/WIC forecasted at the individual participant category level for the first time (i.e., pregnant women, breastfeeding women, non-breastfeeding women, infants, and children). Assessing participation at the category level will make it possible to quantify the impact that shifting demographics may have on food costs. Tracking participant counts at the category level will also help CDPH/WIC stay consistent with other CDPH programs that are reporting expenditures on a participant category level. Food costs are projected by multiplying the forecasted participation by average cost per participant category. This represents a change from the previous method that adjusted the food cost per participant at the statewide level. Average cost per participant will be adjusted for each participant category using the CPI projections from the DOF ERU, and potentially other factors that may account for fluctuations in food prices. There have been no changes to this assumption.