

Women, Infants, and Children (WIC)

2022-23 May Revision Estimate



Tomás Aragón, MD, Dr. PH
Director and State Public Health
Officer

California Department of Public Health

TABLE OF CONTENTS

I. ESTIMATE	1
A. Program Overview.....	1
B. Food Expenditure Projections (See Appendix A).....	6
C. Expenditure Methodology/Key Drivers of Cost	8
D. Food Expenditures	9
1. Current Year	9
2. Budget Year.....	9
E. Other Local Assistance and State Operations Projections	9
1. Current Year	10
2. Budget Year.....	10
F. Fiscal Comparison Summary	11
II. FUND CONDITION STATEMENT	14
III. ASSUMPTIONS	15
1. Future Fiscal Issues	15
2. New Assumptions/Premises	18
3. Existing (Significantly Changed) Assumptions/Premises	21
4. Unchanged Assumptions/Premises.....	22
5. Discontinued Assumptions/Premises	24
IV. APPENDICES	25
APPENDIX A.....	25
APPENDIX B.....	29
APPENDIX C	32
APPENDIX D	34
1. Revenue Estimate Methodology Federal Funds: Fund 0890	36
2. Federal Food Grant	36
3. NSA Grant	37
4. Rebate Funds: WIC Manufacturer Rebate Fund 3023	39

I. ESTIMATE

A. Program Overview

The California Department of Public Health (CDPH), Women, Infants and Children Division (WIC) operates a \$1.1 billion program that served approximately 950,000 low-income California residents per month in 2020-21.

WIC receives federal funding to administer the WIC program through 84 local agencies (WIC Local Agencies) and approximately 3,800 authorized grocers and 64 authorized farmers. The funding through the United States Department of Agriculture (USDA) is based on a discretionary grant appropriated by Congress, plus subsequent reallocations of prior year unspent funds. The WIC program does not require any state general funds and is not an entitlement program; the number of participants served is limited by the discretionary federal grant. It is California's third largest federally funded food and nutrition assistance program after CalFresh, otherwise known as Supplemental Nutrition Assistance Program (SNAP) in most states, and the subsidized school meal programs.

The WIC program provides nutrition services and food assistance for pregnant, breastfeeding, and non-breastfeeding women, infants, and children up to age five who are at nutritional risk. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level, which is equivalent to an annual income of \$42,606 for a family size of three in 2022. Program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and benefits for specific supplemental foods redeemable at authorized grocers. The WIC program is federally funded by the USDA under the Federal Child Nutrition Act of 1966 and the Healthy, Hunger-Free Kids Act of 2010, as amended. Specific uses of the WIC program funds are required under federal laws and regulations, and WIC must report funds and expenditures monthly.

According to the most recent data (National- and State- Level Estimates of WIC Eligibility and WIC Program Reach in 2019, by USDA/Food and Nutrition Service (FNS) released in February 2022, the WIC program serves 68.9 percent of eligible Californians, the third highest coverage of eligible persons of all state WIC programs and fourth nationally behind Puerto Rico, Vermont, and Oregon, while the national average is 57.4 percent. California is estimated to serve 100 percent of all WIC eligible infants. A separate analysis showed that nearly half of all California resident infants born in 2018 were enrolled in WIC during their first year of life.

WIC revenues are comprised of the federal grants and retained manufacturer rebates. The maximum number of participants served by WIC depends largely on food package costs, of which infant formula is a large percentage. Purchase of infant formula represents approximately 22 percent of gross food expenditures. WIC program federal regulations require all states to obtain infant formula manufacturer rebates through a competitive bidding process to offset this cost and maximize the number of participants

that can be served. The California state budget authorizes WIC to retain infant formula rebate revenue and use it to offset the cost of food for WIC participants. Rebate revenue accounts for approximately 26 percent of WIC revenue for food.

In addition to funding food expenditures, the Local Assistance budget authority includes other federal funds, such as the Nutrition Services and Administration (NSA) grant, which are used by WIC Local Agencies to provide services directly to WIC families and support the statewide management information system (MIS) used in the provision of those services. The NSA grant also funds WIC State Operations for administering the program. (See Appendix C, page 32)

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

In early 2020, the California WIC Card fully replaced paper checks providing an easier way to issue benefits and improve the shopping experience for WIC families and grocers. Along with the WIC Card, WIC also replaced its management information system and launched the California WIC App that allows participants to view their food benefit balances, scan the bar code of foods to determine if the item is included in their food benefit balance, view upcoming WIC appointments, and find WIC offices and grocery stores.

- Since June 2019¹, more than 1.17 million cards have been issued.
- Over 36.4 million WIC Card transactions have been completed.
- Over \$1.49 billion of WIC EBT benefits have been provided to families.

The WIC Card is unique and administered separately from the Golden State Advantage card which is used for CalFresh, California Work Opportunity and Responsibility to Kids (CalWORKs), and other food and cash aid benefits. CalWORKs is the state's implementation of the federal program known as Temporary Assistance for Needy Families (TANF). The WIC Card is accessible at WIC authorized grocers, military commissaries, and farmers at farmers' markets in California. Select authorized grocers in bordering states also accept the California WIC Card.

¹ Start of the WIC Card pilot. Data through February 27, 2022

WIC Participation in California

The largest participant category served in WIC is “Children” due to the length of children’s eligibility (first to fifth birthday). Other participant categories are limited to one year of eligibility or less. The table below displays the distribution of California WIC participants by category for 2020-21.

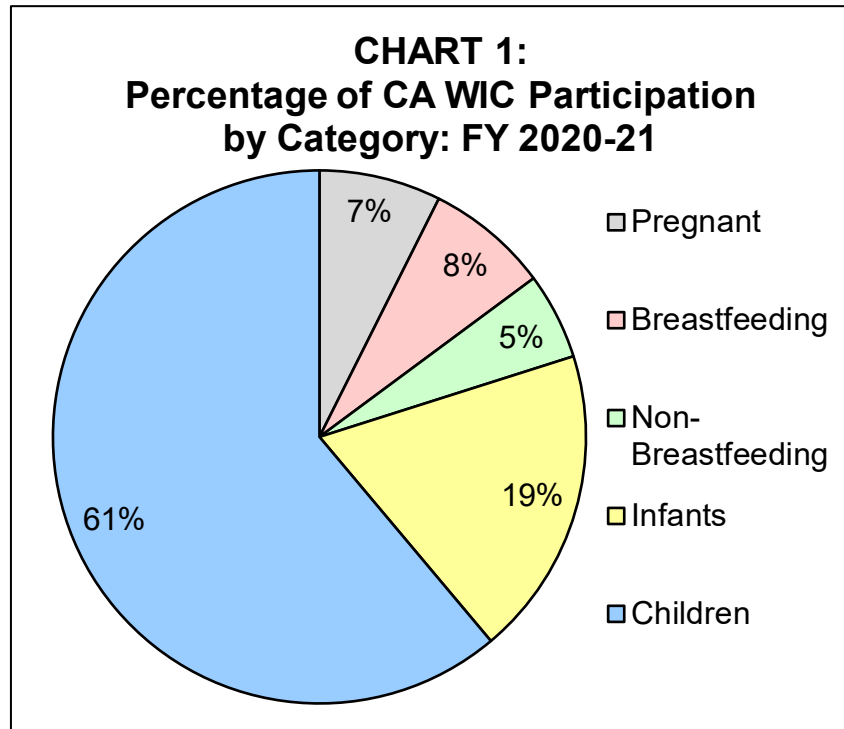


TABLE 1: ACTUAL CA WIC PARTICIPATION BY CATEGORY: FY 2020-21

Participant Category	Annual Average Monthly Participation FY 2020-21
Pregnant	70,081
Breastfeeding	70,675
Non-Breastfeeding	49,787
Infants	177,904
Children	579,236

COVID-19 and Other Emergency Response

The WIC program has provided uninterrupted services to applicants and participants since the COVID-19 pandemic was declared both a state and national emergency in March 2020.

Through a regulatory waiver process at the beginning of the pandemic, the USDA granted states the flexibility to streamline WIC operations during the pandemic. These waivers allowed WIC to conduct all services remotely by phone/video which limited the risk of COVID-19 exposure to participants. In addition, certain WIC food package substitutions allowed participants more access to their benefits when store availability was limited and foods were in short supply. Although most federal waivers are active as long as the public health emergency exists nationwide, CDPH/WIC ended the use of food package substitution waivers in 2021 and ended the use of remote service related waivers with the termination of certain state executive orders. CDPH/WIC has found existing policy flexibilities to temporarily operate WIC in a remote service environment through the end of the nationwide public health emergency.

The USDA has additional temporary authority to issue program modernization waivers, which if granted, would allow the continuation of remote services for all WIC participants beyond the public health emergency. State statute changes are needed to implement any program modernization waivers granted by the USDA.

CDPH/WIC has procured custom video conferencing services and a messaging application that helps improve WIC Local Agency communications with participants. The secure messaging application is used for two-way texts and mass messaging along with other functions. Both systems are customized for ease-of-use and the protection participant confidentiality. Throughout the pandemic, LAs and CDPH/WIC have exponentially increased digital outreach and communication efforts through new tools, on WIC Local Agency websites, and through social media.

These program improvements and strategies have helped WIC provide critical food benefits and services during COVID-19, recent wildfires, and other emergencies over the past couple of years.

In addition to funding intended to support WIC operations, the American Rescue Plan Act (ARPA) of 2021 provided funding to more than triple the fruits and vegetables benefit for WIC participants, up to \$35 per month. The fruits and vegetables benefit had a specific dollar amount for children ages one to four years, pregnant, postpartum, and breastfeeding women and allowed WIC families increased access to fruits and vegetables. The enhanced benefit for fruits and vegetables covered a four-month period that ended September 30, 2021.

In September 2021, President Biden signed a Continuing Resolution (CR) to fund another increase to the fruits and vegetables benefit for the first quarter of FFY 2022

(October through December 2021). A subsequent CR in December 2021 continued the fruit and vegetable increase through the second quarter of FFY 2022 (January through March 2022). Both CRs increased benefit levels to an amount recommended by the National Academies of Science, Engineering and Medicine (adjusted for inflation). The revised amounts are: \$24 per month for children, \$43 per month for pregnant and postpartum participants, and \$47 per month for breastfeeding participants. A third CR, signed in February 2022 to continue funding for the program for an additional month, did not extend the fruits and vegetables benefit increase beyond March 2022. In early March 2022, the House proposed, congress passed, and the President signed the Extension of Continuing Appropriations Act (H.J.Res.75), which provided full year funding for FFY 2022 at FFY 2021 levels and extended the fruits and vegetables benefit increase through September 2022.

B. Food Expenditure Projections (See Appendix A)

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

TABLE 2: FOOD EXPENDITURE COMPARISON BY CATEGORY (all funds)

All figures in dollars, rounded to the nearest thousand

Expenditure Category	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 2022 May Revision	2021-22 Change from 2022-23 Governor's Budget	2021-22 % Change from 2022-23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022-23 Governor's Budget
Participant Food Package Costs	793,641,000	667,018,000	662,463,000	(4,555,000)	-0.68%	671,957,000	661,002,000	(10,955,000)	-1.63%
Fruits & Vegetables Increase (ARPA Funded)	62,115,000	61,462,000	61,462,000	0	0.00%	0	0	0	0.00%
Fruits & Vegetables Increase FFY 2022	0	50,000,000	44,100,000	(5,900,000)	-11.80%	0	21,700,000	21,700,000	100.00%
Prudent Reserve	23,809,000	20,011,000	19,874,000	(137,000)	-0.68%	20,159,000	19,830,000	(329,000)	-1.63%
Total Food Expenditures	879,565,000	798,491,000	787,899,000	(10,592,000)	-1.33%	692,116,000	702,532,000	10,416,000	1.50%

TABLE 3: LOCAL ASSISTANCE AND STATE OPERATIONS EXPENDITURE COMPARISON BY FUND SOURCE (all funds)

All figures in dollars, rounded to the nearest thousand

Expenditure Category	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 2022 May Revision	2021-22 Change from 2022-23 Governor's Budget	2021-22 % Change from 2022-23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022-23 Governor's Budget
Total Food Expenditures	879,565,000	798,491,000	787,899,000	(10,592,000)	-1.33%	692,116,000	702,532,000	10,416,000	1.50%
Food Expenditures Paid from Rebate Funds	189,911,000	195,028,000	200,732,000	5,704,000	2.92%	182,915,000	190,012,000	7,097,000	3.88%
Food Expenditures Paid from Federal Funds	689,654,000	603,463,000	587,167,000	(16,296,000)	-2.70%	509,201,000	512,520,000	3,319,000	0.65%
Other Local Assistance Expenditures (Federal NSA)	314,243,000	314,243,000	314,243,000	0	0.00%	314,243,000	322,000,000	7,757,000	2.47%
Total Federal Local Assistance Expenditures (Food + NSA)	1,003,897,000	917,706,000	901,410,000	(16,296,000)	-1.78%	823,444,000	834,520,000	11,076,000	1.35%
State Operations (Federal NSA)	59,210,000	59,210,000	59,210,000	0	0.00%	59,210,000	63,145,000	3,935,000	6.65%

Prudent Reserve for Food Expenditures

The USDA allows states to maintain a three percent prudent reserve for food inflation and for any unexpected occurrences or natural disasters, which could affect food prices more than any projected “normal” inflation. For example, an unexpected increase in food inflation or unemployment could increase costs beyond the projections in this Estimate.

As allowed, the prudent reserve request for food expenditures is revised for the current year to \$19.9 million, which is a decrease of \$137,000 or 0.68 percent when compared to the 2022-23 Governor’s Budget. The prudent reserve request for 2022-23 is \$19.8 million, which is a decrease of \$329,000 or 1.63 percent when compared to the 2022-23 Governor’s Budget. The 2022-23 amount includes approximately \$5 million in allowable breast pump purchases that are projected to be made in each fiscal year using Food Grant funds.

C. Expenditure Methodology/Key Drivers of Cost

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

- Pregnant Category – Those who are in the pregnant category are eligible to be certified on the WIC program at any point in their pregnancy, and receive supplemental foods high in protein, calcium, iron, vitamin A, and vitamin C to support optimal fetal development.
- Breastfeeding Category – Those who are in the breastfeeding category are eligible for benefits up to their infant’s first birthday and receive an enhanced supplemental food package with foods high in protein, calcium, iron, vitamin A, and vitamin C to support caloric needs during breastfeeding.
- Non-Breastfeeding Category – Those who are in the non-breastfeeding category are eligible for benefits up to six months post-partum and receive a supplemental food package to help in rebuilding nutrient stores, especially iron and calcium and achieving a healthy weight after delivery.
- Infants - Infants are eligible for benefits from birth until one year of age. The WIC program promotes breastfeeding as the optimal infant feeding choice due to its many health, nutritional, economical, and emotional benefits to mothers and babies. Infants may also receive supplemental foods that are rich in protein, calcium, iron, vitamin A, and vitamin C during this critical period of development.
- Children - Children are eligible for benefits from age one to five, and receive supplemental foods rich in protein, calcium, iron, vitamin A, and vitamin C. These nutrients have been shown to be lacking in the diets of children who qualify for WIC benefits and are essential to meet nutritional needs during critical periods of development.

D. Food Expenditures

1. Current Year

Food expenditures are comprised of the federal food expenditures and the WIC Manufacturer Rebate food costs. The 2022-23 Governor's Budget estimated \$798.5 million (\$603.5 million federal fund and \$195.0 million rebate fund) for 2021-22. The 2022-23 May Revision Estimate anticipates a decrease in food expenditures in 2021-22 to \$787.9 million (\$587.2 million federal fund and \$200.7 million rebate fund), a decrease of \$10.6 million or 1.33% percent compared to the 2022-23 Governor's Budget. The decrease in food expenditures is based on a decline in participation (923,006 participants projected in the 2022-23 May Revision compared to 936,245 projected in the 2022-23 Governor's Budget), slightly offset by an increase in food inflation (3.88 percent in the 2022-23 May Revision compared to 1.53 percent in the 2022-23 Governor's Budget). Rebate revenue is projected at \$200.7 million, which is an increase of \$5.7 million or 2.92 percent compared with the 2022-23 Governor's Budget amount of \$195.0 million and is attributed to a new rebate estimate methodology change assumption that includes a reserve amount of four percent.

2. Budget Year

For 2022-23, WIC's food expenditure estimate is \$702.5 million (\$512.5 million federal fund and \$190.0 million rebate fund), which is an increase of \$10.4 million or 1.50 percent as compared to the 2022-23 Governor's Budget amount of \$692.1 million (\$509.2 million federal fund and \$182.9 million rebate fund). The increase in food expenditures is driven by the extension of the fruit and vegetable benefit increase through the end of September 2022, offset by a decline in current and budget year participation projections (886,299 participants projected in the 2022-23 May Revision Estimate compared to 930,482 projected in the 2022-23 Governor's Budget). This increase is slightly amplified by a food inflation rate of 3.88 percent, an increase from the 2022-23 Governor's Budget projection of 1.37 percent. In addition, rebate revenue is projected at \$190.0 million, which is an increase of \$7.1 million or 3.88 percent compared with the 2022-23 Governor's Budget amount of \$182.9 million. The increase in rebate revenue is due to a new rebate estimate methodology change assumption that includes a reserve amount of four percent.

E. Other Local Assistance and State Operations Projections

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

1. Current Year

In 2021-22, the NSA budget, including the anticipated expenditures for local administration, are estimated at \$314.2 million, which is the same as the 2022-23 Governor's Budget. State Operations expenditures are estimated at \$59.2 million, which is the same as the 2022-23 Governor's Budget.

2. Budget Year

For 2022-23, the NSA budget and anticipated expenditures for local administration are estimated at \$322.0 million, which is a \$7.8 million or 2.47 percent increase from the 2022-23 Governor's Budget as a result of increased funding for WIC Local Agency contracts. State Operations expenditures are estimated at \$63.1 million, which is a \$3.953 million or 6.65 percent increase from the 2022-23 Governor's Budget as a result of the eWIC Post-Implementation Support BCP 4265-126-BCP-2022-GB, which adds 25 permanent positions for modernization of services and ongoing support for the recently implemented eWIC system.

F. Fiscal Comparison Summary

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

TABLE 4: EXPENDITURE COMPARISON (federal funds)

All figures in dollars, rounded to the nearest thousand

Fund 0890 Federal Trust Fund	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 2022 May Revision	2021-22 Change from 2022-23 Governor's Budget	2021-22 % Change from 2022-23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022-23 Governor's Budget
Local Assistance Expenditures	1,003,897,000	917,706,000	901,410,000	(16,296,000)	-1.78%	823,444,000	834,520,000	11,076,000	1.35%
Food Expenditures (Food Grant)	689,654,000	603,463,000	587,167,000	(16,296,000)	-2.70%	509,201,000	512,520,000	3,319,000	0.65%
Other Local Assistance (NSA Grant)	314,243,000	314,243,000	314,243,000	0	0.00%	314,243,000	322,000,000	7,757,000	2.47%
State Operations (NSA Grant)	59,210,000	59,210,000	59,210,000	0	0.00%	59,210,000	63,145,000	3,935,000	6.65%

TABLE 5: REVENUE COMPARISON (federal funds)
All figures in dollars, rounded to the nearest thousand

Fund 0890 Federal Trust Fund	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 2022 May Revision	2021-22 Change from 2022- 23 Governor's Budget	2021-22 % Change from 2022- 23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022- 23 Governor's Budget
Total Available Resources	1,027,905,000	1,027,905,000	1,028,207,000	302,000	0.03%	966,443,000	966,850,000	407,000	0.04%
Food Grant	643,060,000	643,060,000	643,060,000	0	0.00%	581,598,000	581,598,000	0	0.00%
NSA Grant	384,845,000	384,845,000	385,147,000	302,000	0.08%	384,845,000	385,252,000	470,000	0.11%

TABLE 6: EXPENDITURE COMPARISON (rebate funds)

All figures in dollars, rounded to the nearest thousand

Fund 3023 Manufacturer Rebate	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 2022 May Revision	2021-22 Change from 2022- 23 Governor's Budget	2021-22 % Change from 2022- 23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022- 23 Governor's Budget
Local Assistance Expenditures	189,911,000	195,028,000	200,732,000	5,704,000	2.92%	182,915,000	190,012,000	7,097,000	3.88%

TABLE 7: REVENUE COMPARISON (rebate funds)

All figures in dollars, rounded to the nearest thousand

Fund 3023 Manufacturer Rebate	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 2022 May Revision	2021-22 Change from 2022- 23 Governor's Budget	2021-22 % Change from 2022- 23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022- 23 Governor's Budget
<i>Projected Rebate Revenue</i>	189,911,000	195,028,000	193,012,000	(2,016,000)	-1.03%	182,915,000	182,704,000	(211,000)	-0.12%
<i>4% Reserve for Additional Revenue</i>	0	0	7,720,000	7,720,000	100.00%	0	7,308,000	7,308,000	100.00%
Total Available Resources	189,911,000	195,028,000	200,732,000	5,704,000	2.92%	182,915,000	190,012,000	7,097,000	3.88%

II. FUND CONDITION STATEMENT

The Fund Condition Statement below illustrates the status of the WIC Manufacturer Rebate Fund 3023 for actual revenues and expenditures for 2020-21, and projected revenues for 2021-22 and 2022-23:

TABLE 8: FUND CONDITION STATEMENT*Dollars in thousands*

3023 WIC Manufacturer Rebate Fund	SFY 2020-21 Actual	SFY 2021-22 Estimate	SFY 2022-23 Estimate
BEGINNING BALANCE	20,014	137	206
Prior Year Adjustments	(19,637)	0	0
Adjusted Beginning Balance	377	137	206
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	18	69	69
4172500 Miscellaneous Revenue	203,678	200,732	190,012
4172100 Fines-Court	0	0	0
Total Revenues, Transfers, and Other Adjustments	203,696	200,801	190,081
Total Resources	204,073	200,938	190,287
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	203,936	200,732	190,012
Total Expenditures and Expenditure Adjustments	203,936	200,732	190,012
FUND BALANCE	137	206	275

II. ASSUMPTIONS

1. Future Fiscal Issues

a. MODERN WIC Act of 2021

Background: On November 17, 2021, Sen. Kristen E. Gillibrand (D-NY) and Sen. Roger Marshall (R-KS) introduced a bill in the 117th Congress called the “More Options to Develop and Enhance Remote Nutrition in WIC Act of 2021” or “MODERN WIC Act of 2021.” Senate bill (S. 3226) would amend the Child Nutrition Act of 1966 to allow “presence” to be confirmed for program certification by video technology permitting 2-way, real-time interactive communications. The bill would also expand the delivery of food instruments to include remote issuance of food benefits instead of just by mail. Additionally, \$60 million would be designated to improve and develop technology to enhance program services, access to the program, and redemption of benefits.

During the COVID-19 pandemic, WIC local agencies were able to waive in-person application requirements with the Families First Coronavirus Response Act. While CDPH/WIC ended the use of the federal waivers, the MODERN WIC Act would permanently change the in-person certification requirements to allow for video or telephone certifications while obtaining relevant health assessment data within 90 days.

As of February 18, 2022, the bill is with the Senate Committee on Agriculture, Nutrition, and Forestry.

Description of Change: At the start of the COVID-19 pandemic, WIC local agencies had to pivot from providing services in-person, to virtual, without any gap in services. According to the bill authors, there was a 2.5% increase in program participation nationally as low-income households relied on this social safety net to feed themselves and their families. The investment is intended to advance technologies and innovation at the state and local level and to expand access to WIC for vulnerable communities across the state. These permanent changes to the program would remove barriers to families in accessing breastfeeding support, nutrition education, nutritious foods, and other WIC benefits.

Discretionary: Yes

Reason for Adjustment/Change:

- Passage of federal legislation will revise basic program eligibility requirements.
- Streamlined basic program eligibility requirements and benefits issuance could increase program participation.
- Potential additional funds to improve technology.

Fiscal Impact (Range) and Fund Source(s): Passage of legislation would make temporary measures currently in place permanent, resulting in no on-going fiscal

impact. Potential one-time increase in funding to improve technology for Federal Trust Fund 0890.

b. WIC Act of 2021

Background: On March 18, 2021, Robert Casey Jr. (D-PA) introduced a bill in the 117th U.S. Congress called the “Wise Investment in Children Act of 2021” or “WIC Act of 2021.” Senate 853 (S.853) includes provisions that aim to improve maternal and child health outcomes in the United States by expanding WIC eligibility for infants, children, and birthing parents. These provisions include giving states the option to extend the maximum age of eligibility for children participating in the WIC Program from five to six years of age, if not enrolled in kindergarten. The bill would give states the option to extend the certification time for infants to age two and extend the certification timeframe for breastfeeding and non-breastfeeding participants to two years postpartum. The intent of this legislation, if there are sufficient funds, is to cover the nutritional gap for children who have reached the age of maturity in the WIC Program at five years old, but who are not yet eligible to enter public school, where they would become eligible for school breakfast and lunch programs. Passage of this legislation will give states the option to provide continuous support for children’s nutritional needs until they are eligible for school meals. The bill seeks to improve outcomes for those who are postpartum, including the interpregnancy period, which will provide a critical opportunity to improve the health of birthing parents and outcomes for subsequent births, reducing the likelihood of costly conditions resulting from negative birth outcomes like preterm birth or low birthweight.

As of February 18, 2022, the bill is with the Senate Committee on Agriculture, Nutrition, and Forestry.

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

Discretionary: Yes

Reason for Adjustment/Change:

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

Fiscal Impact (Range) and Fund Source(s): The potential impact of the WIC Act of 2021 is an estimated on-going annual cost of between approximately \$86 million to \$88 million to Federal Trust Fund (Fund 0890).

c. WIC for Kids Act of 2021

Background: On July 16, 2021, Jahana Hayes (D-CT) and Jenniffer González-Colon (R-PR) introduced the WIC for Kids Act. The bipartisan bill would streamline WIC certifications so that children could easily continue WIC services. The bill would allow WIC state agencies to extend child certifications from one to two years, allow flexibility to align certification periods among family members, expand adjunctive eligibility within households, and include additional programs like Head Start, Early Head Start, and the state Children’s Health Insurance Program.

As of February 18, 2022, the bill titled “To amend the Child Nutrition Act of 1966 to extend certain certification periods for the special supplemental nutrition program for women, infants, and children, and for other purposes” (H.R. 4455) is with the House Committee on Education and Labor.

Description of Change: According to the bill authors, the WIC for Kids Act of 2021 would streamline the process to enroll in WIC, provide automatic eligibility for WIC when families have documented eligibility in other programs, extend child certification periods from one to two years, and allow families to align certification periods.

Discretionary: Yes

Reason for Adjustment/Change:

- Streamlined basic program eligibility requirements could increase program participation.
- The extended certification periods could increase program retention.
- Positive health impact on young Californians.

Fiscal Impact (Range) and Fund Source(s): Unknown fiscal impact. Total food costs from higher participation may increase. Decreased administrative costs associated with the certification/recertification process would be offset by increased participation.

d. Federal American Rescue Plan Act: Outreach, Innovation, and Modernization

Background: On March 11, 2021, the President signed the American Rescue Plan Act of 2021 into law. The Act provides funding for critical WIC investments totaling \$880 million. The Act allocates \$390 million for WIC to focus on outreach, innovation, and program modernization efforts for both WIC and the WIC Farmers’ Market Nutrition Program. In late February 2022, the USDA released competitive grant information to modernize benefit delivery for the Farmers’ Market Nutrition Program. The USDA will likely provide additional information on additional initiatives later in 2022.

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

Discretionary: Yes

Reason for Adjustment/Change:

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

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

2. New Assumptions/Premises

a. Rebate Estimate Methodology Change

Background: Recent challenges accurately projecting rebate revenues during periods of change (e.g., transition from FI paper checks to EBT) and deviance from the historical trend (e.g., COVID-19 pandemic) prompted review of the infant formula rebate estimate methodology. CDPH/WIC's methodology is based on statewide infant participation and historical trends in infant formula issuance and redemption. It uses the average number of cans of formula issued per infant each month and multiplies it by the number of infants projected to be served. The resulting total number of cans purchased is divided between the different types of infant formula purchased to account for price variations by type of formula. The total cans by type are then multiplied by the rebate amount for each respective formula type to get a total projected rebate amount per month.

CDPH/WIC proposes to update the methodology to include a reserve amount to allow expenditure authority for rebate revenue received in excess of the projected amounts. CDPH/WIC is also evaluating the aggregations used in the rebate estimate methodology calculations for the number of cans by formula type issued each obligation month and the number of infants issued formula each obligation month for possible future revisions.

Description of Change: CDPH/WIC calculated a variance rate to compare the rebate revenue projected to the rebate revenue received. Projected rebate amounts from the 2020 November Estimates for the period June 2020 (date of full EBT implementation) through April 2021 were compared to actual rebate amounts. Monthly differences were calculated and ranged from 2.55 to 5.91 percent, with an average variance rate of 3.9

percent over the period. Using this average, a 4 percent reserve amount will be added to the estimated rebate revenue to account for changes and provide more accurate projections.

Discretionary: Yes

Reason for Adjustment/Change:

- Recent changes in the delivery of WIC food benefits and WIC participation trends have altered the historical pattern of infant formula issuance and redemption, leading to a reevaluation of the estimate methodology.
- Uncertainty regarding the implementation of the new rebate contract emphasizes the need for a reserve in the event rebate revenue is higher than projected with the limited information regarding the change in contractors.
- Allowing for a reserve amount based on recent history of rebate revenue will provide CDPH/WIC the opportunity to produce more accurate projections for budgeting purposes.
- 7 CFR Part 3016.21 (f)(2) requires that rebate funds are used prior to requesting federal funds reimbursement for expenditures.

Fiscal Impact (Range) and Fund Source(s): As recent rebate revenues have produced higher than projected results, adding a reserve to the rebate estimate methodology will support a higher rebate revenue relative to previous estimates. This change will allow higher expenditure authority for the WIC Manufacturer Rebate Fund (Fund 3023) of approximately \$7.7 million in current year and \$7.3 million in budget year, should the revenue be earned. If the additional revenue is received, the funds will then be used to support food expenditures prior to use of federal funds. The impacted Fund Source is Fund 3023.

b. Infant Formula Rebate Contract

Background: On July 31, 2022, the current statewide infant formula rebate contract with Mead Johnson and Company will expire. To continue the substantial discounts (rebates) on infant formula, CDPH/WIC issued an invitation for bid (IFB) in September 2021 to infant formula manufacturers for the exclusive right to provide milk-based and soy-based iron-fortified infant formula to WIC families in three (3) forms: liquid concentrate, powder, and ready-to-feed.

The IFB included separate, federally required, solicitations for milk-based and soy-based iron-fortified infant formula, which could have resulted in either one contract for both infant formula types or two separate manufacturer contracts. The contract(s) will be awarded to the bidders that provided the lowest total net cost per month of infant formula to CDPH/WIC while meeting all IFB bid requirements and bidder qualification requirements.

CDPH/WIC received bids from two manufacturers: Mead Johnson and Company and Abbott Laboratories. On December 17, 2021, CDPH released a Notice of Intent to

Award Abbott Laboratories with the milk-based formula contract and Mead Johnson and Company with the soy-based formula contract. The contracts will begin on August 1, 2022, and the terms of the infant formula contracts will be for three years, with the option of two one-year extensions, for a potential maximum of five total years.

Description of Change: With a new infant formula contract, the rebate dollar amount reimbursed per can of infant formula will change. The rebate amount received will decrease and the net cost for infant formula will increase. As there will be a change in net cost for the infant formula purchased by CDPH/WIC, it will increase reliance on the USDA food grant for funding of infant formula.

Discretionary: No. 7 CFR 246.16(a) of the federal WIC regulations requires that CDPH/WIC has a continuous revenue-generating rebate contract in place for both milk-based and soy-based infant formula.

Reason for Adjustment/Change:

- Potential decrease in infant formula rebate revenue for the WIC Manufacturer Rebate Fund (Fund 3023) as a result in the lower rebate per can bid by the winning bidders for the infant formula IFB, and
- Potential increase in the net cost per can of infant formula, which will result in an increase to the overall cost of infant formula and increase in expenditures for Federal Trust Fund (Fund 0890).

Fiscal Impact (Range) and Fund Source(s): Estimated decrease of not more than \$3 million in revenues and expenditures to the WIC Manufacturer Rebate Fund (Fund 3023), and an approximate \$5.9 million corresponding increase in expenditures to the Federal Trust Fund (Fund 0890) for 2022-23.

c. Proposed Federal Fiscal Year (FFY) 2022 Budget Appropriations

Background: In June 2021, the House of Representatives Agricultural Appropriations Subcommittee proposed \$6 billion for the WIC Program, to remain available through September 30, 2022. The proposal designates \$834 million to extend the fruit and vegetable increase beyond September 2021 into FFY 2022, \$75 million in Management Information Systems funding, and a \$225 million rescission of unspent funds. The President's Budget also released later in June 2021, recommended funding for WIC at \$6 billion with no rescission. The proposal allows for a \$1.2 billion increase that includes extending the fruit and vegetable increase through FFY 2022, \$100 million for Management Information Systems, and \$200 million to support the contingency fund. In September and December 2021 and February and March 2022, Congress passed, and the President signed Continuing Resolutions (CR) resulting in government funding through March 15, 2022; however, in March a final federal budget was passed. The budget funds the WIC Program at FFY 2021 levels (flat funding) for both NSA and Food grants and also extended the fruit and vegetable increase through September 30, 2022. Details of the impact to food expenditures of the budget is included under the Existing Assumption 3a. Federal Fiscal Year (FFY) 2022 Fruit and Vegetable Increase.

Description of Change: The final federal budget makes no adjustments to FFY 2022 funding from FFY 2021 funding levels but makes the fruit and vegetable increase effective for the full federal fiscal year.

Discretionary: No. The Appropriation Committees and members of the Congress decide the funding level for WIC.

Reason for Adjustment/Change:

- The Federal budget for WIC that the Congress votes and passes, and the President signs directly affects California's Food and NSA funding levels.
- The final federal budget provides funding levels for WIC for FFY 2022 equal to FFY 2021.

Fiscal Impact (Range) and Fund Source(s): Based on the final federal budget for FFY 2022, there is no impact to Food or NSA grant revenue for FFY 2022 from FFY 2021 funding levels. There is sufficient funding to support the authorized increase to the fruit and vegetable benefit through September 30, 2022. The impacted Fund Source is the Federal Trust Fund (Fund 0890).

3. Existing (Significantly Changed) Assumptions/Premises

a. Federal Fiscal Year (FFY) 2022 Fruit and Vegetable Increase

Background: In September 2021, President Biden signed a Continuing Resolution (CR) to fund an increase to the fruit and vegetable benefit for the first quarter of FFY 2022 (October through December 2021). Since no budget appropriation was passed by congress by the December 3, 2021 deadline, the President signed a subsequent CR to avoid a government shutdown and continue funding at FFY 2021 levels through February 18, 2022. The second CR continued the fruit and vegetable increase through the second quarter of FFY 2022 (January through March 2022). A third and fourth CR were enacted to funding the government through March 15, 2022; however, they did not fund or extend the fruit and vegetable increase. A final full year federal budget was enacted on March 15, 2022, funding FFY 2022 at FFY 2021 levels and extending the fruit and vegetable increase through September 30, 2022.

Description of Change: The final federal budget for FFY 2022 increased fruit and vegetable benefit levels to an amount recommended by the National Academies of Science, Engineering and Medicine and adjusted for inflation. The revised amounts are: \$24 per month for children, \$43 per month for pregnant and postpartum participants, and \$47 per month for breastfeeding participants.

Discretionary: No. The benefit increase authorized by the CRs is a mandatory increase to the food package for the time specified.

Reason for Adjustment/Change:

- The Federal budget for WIC that the Legislature votes and passes and the President signs directly affects California's Food and NSA funding levels.
- The final federal budget funding for FFY 2022 at FFY 2021 levels is sufficient to cover the increased fruit and vegetable expenditures.

Fiscal Impact (Range) and Fund Source(s): The fruit and vegetable increase authorized from October through December 2021 totaled \$22.5 million in additional food costs, or \$8.06 per participant. The projected additional food costs from January through June 2022 is estimated at \$44.1 million, for a total of \$66.6 million total additional food expenditures in 2021-22. The projected impact for California food costs for July through September 2022 is \$21.7 million in 2022-23. There is sufficient Food grant revenue authorized under the final federal budget to support this increase. The impacted Fund Source is the Federal Trust Fund (Fund 0890).

4. Unchanged Assumptions/Premises**a. Adjustment to Participation Projection Methodology**

Background: Recent major changes to the delivery of WIC services, challenges associated with COVID-19, and the need to properly account for a recent increase in WIC participation trends has prompted review of the participation projection methodology used in prior Budget Estimates. CDPH/WIC's methodology prior to the 2020 November Estimate was driven largely by a five-year average percent change in participation. This calculation captured a long-term and relatively steady decline in participation fueled in part by decreasing birth rates and improving economic conditions for many. However, such long-term trends are not as agile in projecting sudden shifts in participation in today's very different public health and economic climate. To adjust for this, CDPH/WIC replaced the prior projection methodology with one that relies more heavily on recent months of participation actuals to estimate the size and behavior of the WIC-eligible population.

Description of Change: Starting with the 2020 November Estimate, CDPH/WIC used a logistic growth model to project future category-specific WIC participation. This model makes use of two parameters to predict changes in participation over time.

The first parameter is a growth rate of the population, which is based on the average percent change in actual monthly participation across a recent time period.

The second parameter is the upper limit of possible participants in California, given WIC age and income eligibility requirements. CDPH/WIC estimated this upper limit using both administrative data sources and WIC eligibility estimates published by USDA FNS. Counts of all WIC-certified individuals were summed with counts of WIC-eligible non-participants determined from a match between WIC and Medi-Cal administrative records. This sum was then adjusted upwards (to account for WIC-eligible individuals

not participating in either WIC or Medi-Cal) using separate estimates of coverage rates available in the most recent version of the USDA FNS WIC Eligibility and Program Reach Report.

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

CDPH/WIC originally used a 12-month period of actuals to determine model parameters for the 2020 November Estimate, and this period was changed to 18 months for the 2021 May Revision Estimate to account for a rare and transient shock of the pandemic to CDPH/WIC's overall participation trends. However, participation trends have moderated considerably since the period of rapid growth around April 2020, causing an 18-month window of actuals to no longer represent expected conditions in the coming fiscal years. For the 2022-23 Governor's Budget, CDPH/WIC used actual participation data from August 2020 through July 2021 to determine growth model parameters. For the 2022-23 May Revision, CDPH/WIC will once again use a 12-month window of actuals, and this will produce more realistic participation projections going forward. Given recent improvements to CDPH/WIC's procedures for remote service delivery, CDPH/WIC also expects such delivery to be more robust to other potential transient shocks related to the COVID-19 pandemic going forward. CDPH/WIC therefore expects a methodology utilizing 12 months of actuals to remain useful for subsequent budget cycles.

Discretionary: Yes

Reason for Adjustment/Change:

- Recent major changes in the delivery of WIC food benefits, economic and personal hardship due to COVID-19, and the observation of a recent increase in WIC participation trends together necessitate a reevaluation of the number of months included in the participation projections methodology.
- Using a methodology based less on long-term trends and more on a recent history of WIC participation and program reach allows CDPH/WIC to produce more accurate projections for budgeting purposes.

Fiscal Impact (Range) and Fund Source(s): As WIC participation has re-balanced in recent months, the new projections methodology utilizing 12 months of actuals will predict a lower number of average monthly participants relative to projections derived from models based on 18 months of actuals. For 2022-23, CDPH/WIC projects 22,404 fewer WIC participants per month on average, which equates to a decrease in projected Food grant expenditures of up to \$16.7 million. The impacted Fund Source is the Federal Trust Fund (Fund 0890).

5. Discontinued Assumptions/Premises

a. Federal American Rescue Plan Act: Increased Fruit and Vegetable Benefits

Reason for Adjustment/Change: American Rescue Plan Act (ARPA) funds were provided for the fruit and vegetable benefit increase for Federal Fiscal Year (FFY) 2021. Funds were available for use through September 30, 2021. This initiative is now complete and no further impact to current or budget year will be incurred.

b. Federal Fiscal Year (FFY) 2021 Budget Appropriations

Reason for Adjustment/Change: Federal Fiscal year (FFY) 2021 ended September 30, 2021 and the final funding amounts were included in the 2021 November Estimate. No further impact is projected for current or budget year.

IV.APPENDICES

APPENDIX A

Rationale and Methodology for Participation and Expenditure Projections

According to the most recent data (Eligibles and Program Reach, 2019, by USDA FNS released in February 2022), the WIC program serves 68.9 percent of eligible Californians, the third highest coverage of eligible persons of all state WIC programs and fourth nationally behind Puerto Rico, Vermont and Oregon, while the national average is 57.4 percent.

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

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

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

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

- The participation numbers during the 12 most recent months of data.
- The upper limit of possible WIC participants, jointly estimated using recently published USDA FNS coverage rates and counts of all WIC-eligible individuals using administrative data for WIC and Medi-Cal.

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

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

The second parameter is the upper limit of possible participants in California, given WIC age and income eligibility requirements. CDPH/WIC estimated this upper limit using both administrative data sources and WIC eligibility estimates published by USDA FNS.

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

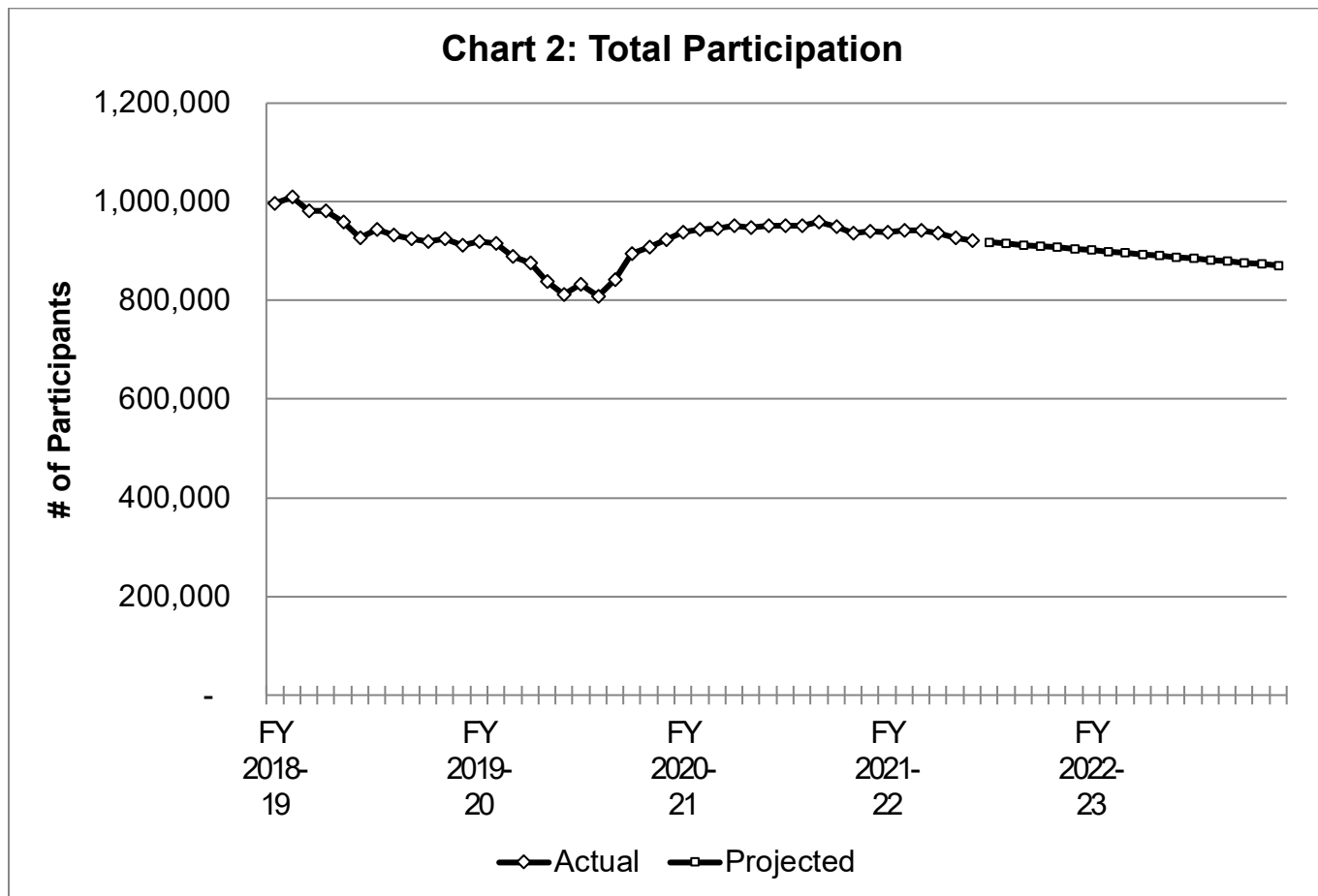
Using these two parameters and starting the model off with the most recent month of participation actuals, CDPH/WIC calculated subsequent months of participation for each of the five WIC participation categories (infants, children, pregnant women, breastfeeding mothers, and non-breastfeeding mothers).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

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

Total average monthly participation for 2021-22 is based upon 6 months of actuals and 6 months of projected data summed across all categories. For 2020-21, monthly average participation was 947,683. WIC estimates average monthly participation for 2021-22 will decrease to 923,006, a decrease of 2.60 percent, compared to an increase of 8.71 percent in 2020-21.

Total average monthly participation for 2022-23 is based upon the remaining projected months from the growth model initialized with December 2021 as the most recent month of actuals. WIC estimates average monthly participation will decrease to 886,299, a decrease of 3.98 percent, compared to the 2.60 percent decrease projected for 2021-22.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels for 2022-23, which includes updated actual participation numbers through December 2021:



Total Food Expenditures

Food expenditures are divided by the number of participants to determine the average food cost per participant, which is then adjusted using the Consumer Price Index (CPI) projections for Food at Home from the Department of Finance Economic Research Unit (ERU). Actual CPI data is available from ERU through September 2021 with projections through the end of 2022-23. The updated projected CPI rate in 2021-22 is 3.88 percent, and for 2022-23 is an inflation of 3.88 percent. Historical expenditures and updated average per participant food costs for 2020-21 through December 2021 were used to update projections for 2021-22 and build the new projection for 2022-23 food costs.

Below is a chart summarizing total actual food cost expenditures for 2020-21 and food cost projections for the current and budget year.

TABLE 9: FOOD EXPENDITURES

Factor	2020-21 Actuals	2022-23 Governor's Budget	2021-22 2022 May Revision	2021-22 Change from 2022-23 Governor's Budget	2021-22 % Change from 2022-23 Governor's Budget	2022-23 2022 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022-23 Governor's Budget
Average Monthly Participation*	947,683	936,245	923,006	-13,239	-1.41%	886,299	-49,946	-5.33%
Average Cost per Participant	\$58.47	\$59.37	\$59.81	\$0.44	0.74%	\$62.15	\$2.78	4.68%
Annual Expenditures**	\$664,921,011	\$667,018,388	\$662,462,588	\$(4,555,800)	-0.68%	\$661,001,856	\$(6,016,532)	-0.90%

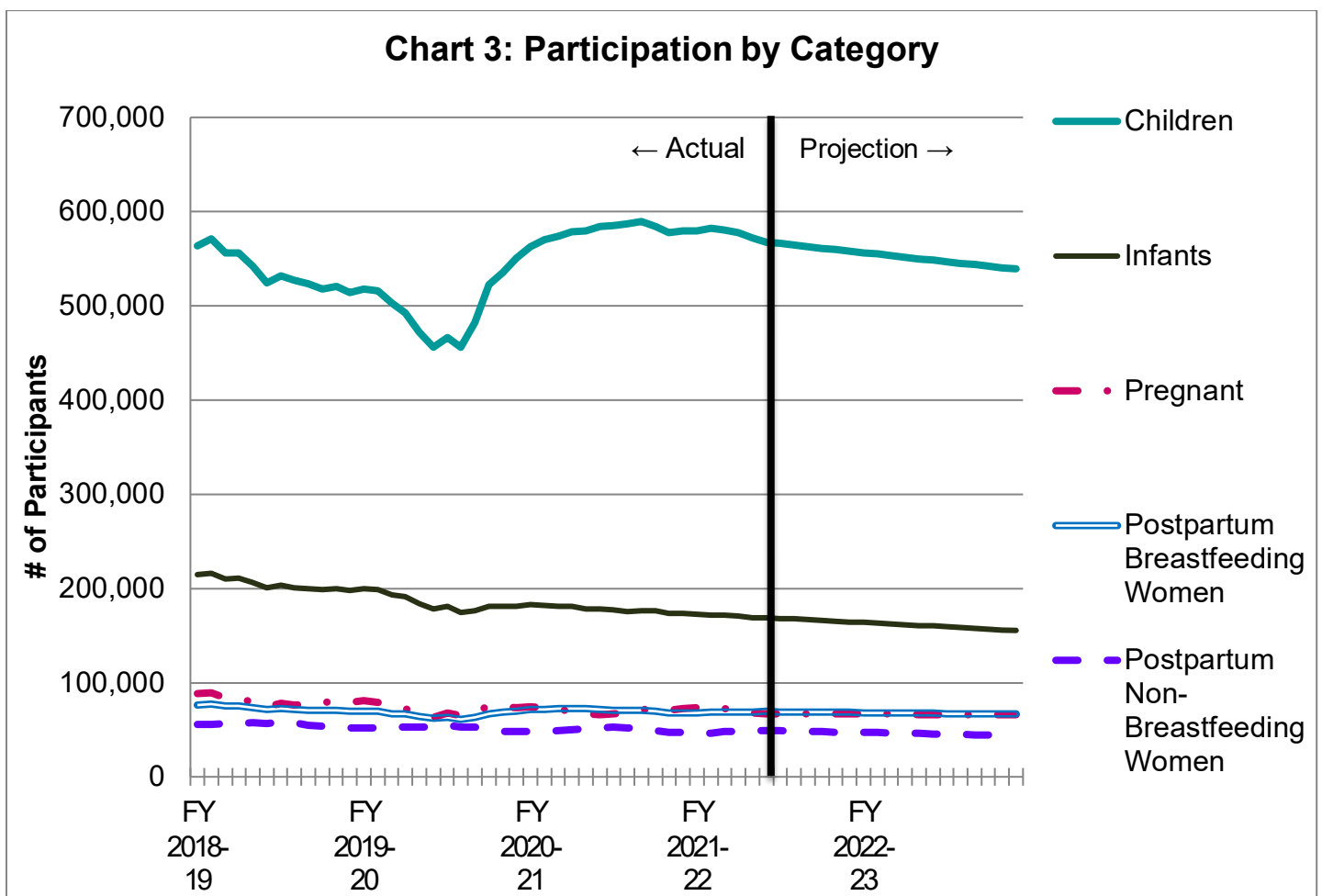
* SFY 2021-22 Average Participation includes actual participation for July 2021 through December 2021 and projected participation for January 2022 through June 2022.

** Numbers rounded to the nearest dollar. Does not include 3% Prudent Reserve in food expenditures or CVB increase.

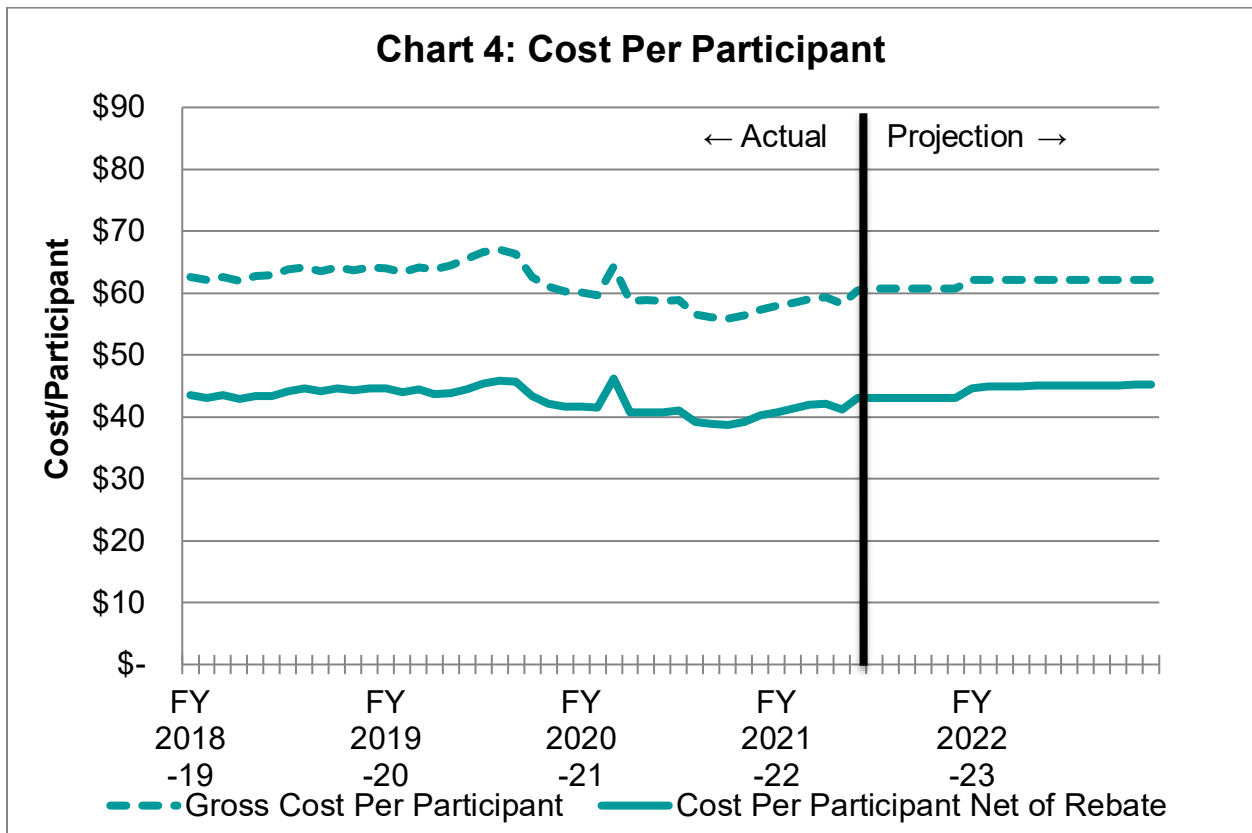
APPENDIX B

Participant and Food Cost Projections by Category

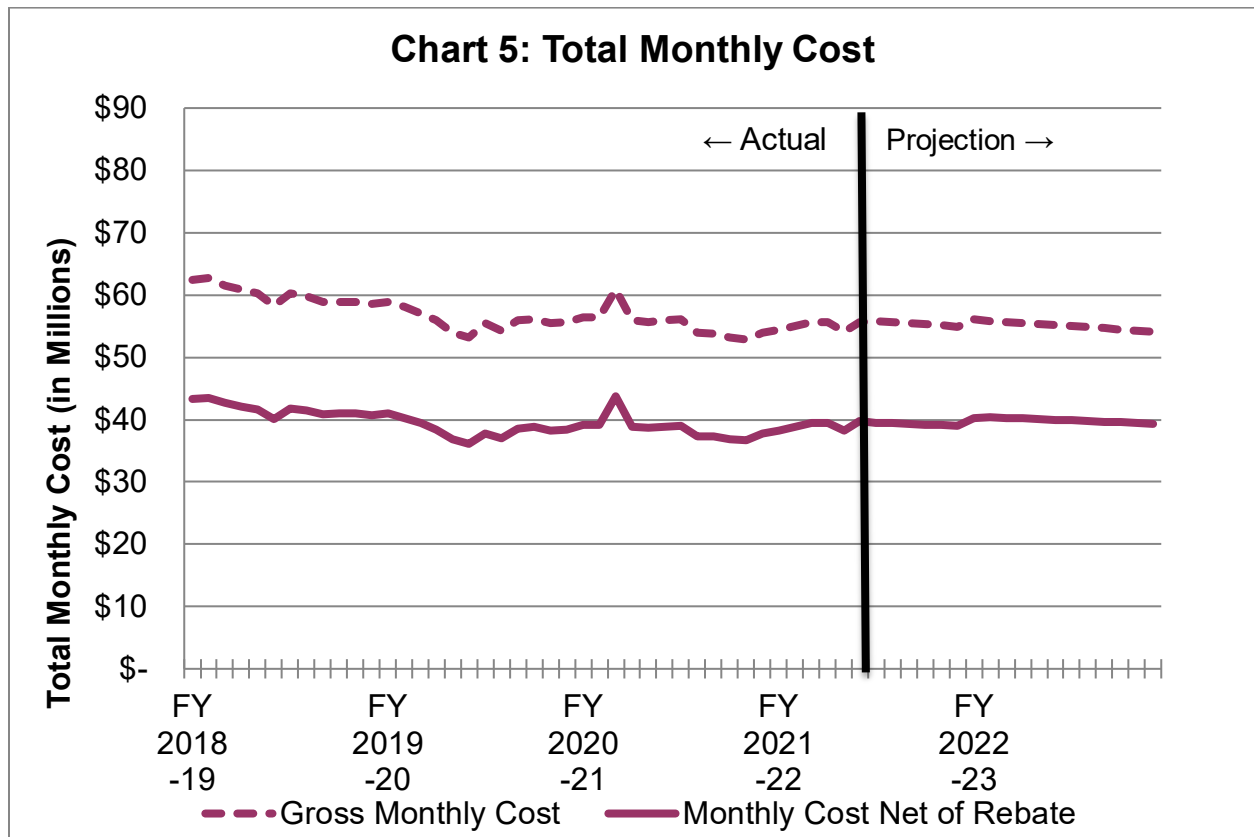
The figure below illustrates actual and projected participation trends since 2018-19. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. This population also experienced considerable growth around the time of the statewide shutdown as a result of increased recertification rates and large-scale auto-issuance of food benefits. This growth has slowed in recent months, and now has started to decline once again. Forecasted total monthly participation is included in the chart in Appendix A:



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



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



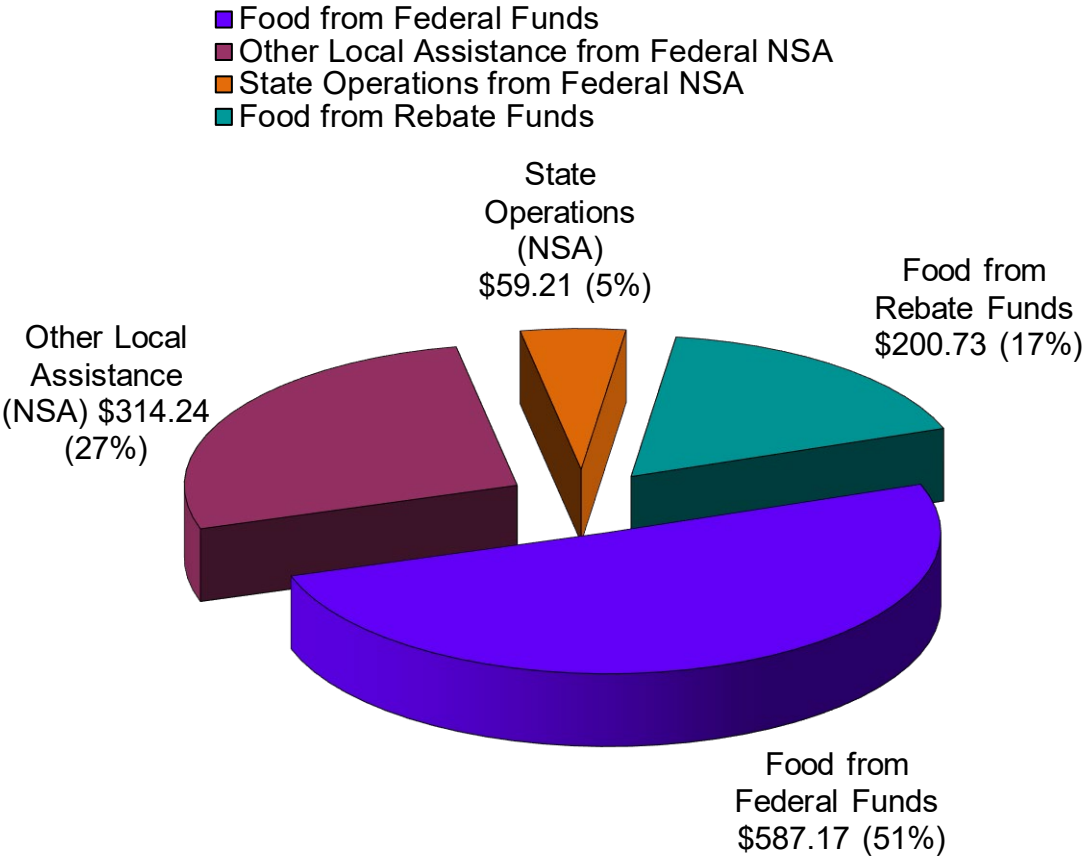
APPENDIX C

WIC Special Display Chart (Government Code 13343)

TABLE 10: CALIFORNIA WIC PROGRAM EXPENDITURES

Funding Source	PY 2020-21 (Actual)	CY 2021-22 (Estimated)	BY 2022-23 (Proposed)
LOCAL ASSISTANCE			
<i>0890 Federal Grant for WIC</i>	\$802,249,395	\$901,410,000	\$834,520,000
TOTAL FEDERAL TRUST FUND	\$802,249,395	\$901,410,000	\$834,520,000
<i>3023 WIC Manufacturer Rebate Fund</i>	\$203,936,000	\$200,732,000	\$190,012,000
TOTAL LOCAL ASSISTANCE	\$1,006,185,395	\$1,102,142,000	\$1,024,532,000
STATE OPERATIONS			
<i>0890 Federal Grant for State Operations</i>	\$52,394,854	\$59,210,000	\$63,145,000
GRAND TOTAL WIC PROGRAM	\$1,058,580,249	\$1,161,352,000	\$1,087,677,000

**Chart 6: WIC EXPENDITURES
FY 2021-22
(in Millions)**



APPENDIX D

Revenue Projections

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

The federal revenue estimates total \$1.0282 billion, which is an increase of \$302,000 or 0.03 percent from the 2022-23 Governor's Budget amount of \$1.0279 billion. The estimate is based on the appropriated federal budget for federal fiscal year 2021.

For 2022-23, the projected federal revenue will total \$966.8 million, which is an increase of \$407,000 or 0.04 percent from the 2022-23 Governor's Budget amount of \$966.4 million. This projection is based on California's base grant allocation for Food and NSA for FFY 2022.

TABLE 10: REVENUE COMPARISON (all funds)
 All figures in dollars, rounded to the nearest thousand

Revenue Source	2021 Budget Act	2022-23 Governor's Budget for 2021-22	2021-22 May Revision	2021-22 Change from 2022-23 Governor's Budget	2021-22 % Change from 2022-23 Governor's Budget	2022-23 Governor's Budget for 2022-23	2022-23 May Revision	2022-23 Change from 2022-23 Governor's Budget	2022-23 % Change from 2022-23 Governor's Budget
Federal Food Grant	591,942,000	643,060,000	643,060,000	0	0.00%	581,598,000	581,598,000	0	0.00%
Rebate Food Funds	203,696,000	195,028,000	200,732,000	5,704,000	2.92%	182,915,000	190,012,000	7,097,000	3.88%
Total Funds for Food	795,638,000	838,088,000	843,792,000	5,704,000	0.68%	764,513,000	771,610,000	7,097,000	0.93%
Federal NSA Grant	381,022,000	384,845,000	385,147,000	302,000	0.08%	384,845,000	385,252,000	407,000	0.11%
Total Federal Funds	972,964,000	1,027,905,000	1,028,207,000	302,000	0.03%	966,443,000	966,850,000	407,000	0.04%

1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for WIC depends upon the amount of the discretionary grant appropriated annually by Congress, plus subsequent reallocations of prior year unspent funds. California’s share of the federal grant is approximately 15.4 percent of the national appropriation. Federal funds are granted to each state using a formula methodology as specified in federal regulation to distribute the following:

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

2. Federal Food Grant

Nationally, approximately 66 percent of the federal fiscal year 2021 appropriation is allocated for food and California receives approximately 16 percent of that appropriation. The food allocation for federal fiscal year 2022 will hold at 66 percent. These projected amounts could change based on the House and the President’s proposal to continue the fruit and vegetable increase into FFY 2022.

TABLE 11: FEDERAL REVENUE PROJECTIONS (Food)

Federal Fiscal Year	National Budget Appropriation	Discretionary Funds	% of Food Allocation	% of California Share	Total Allocated Food*
FFY 2021	\$4,750,000,000	\$ 120,000,000	65.98%	15.59%	\$476,407,237
FFY 2022	\$4,750,000,000	\$ 120,000,000	65.98%	15.59%	\$476,407,237

* Total Allocated Food is equal to the National Budget Appropriation less Discretionary Funds, multiplied by the Percent of Food Allocation, and multiplied by the Percent of California Share.

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

In 2021-22, Food Grant revenue is expected to total \$643.1 million, which is the same as the 2022-23 Governor’s Budget.

For 2022-23, Food Grant revenue is expected to total \$581.6 million, which is the same as the 2022-23 Governor’s Budget.

TABLE 12: WIC RESOURCES FOR FOOD FOR SFY 2021-22

Resource	FFY 2021	FFY 2022	Prorate to SFY 2021-22
Base Appropriation	\$476,407,237	\$ 476,407,237	\$476,407,237
Reallocations	\$105,190,619	\$ 105,190,619	\$105,190,619
Fruits & Vegetables	\$74,405,076	\$0	\$61,461,701
Total	\$656,002,932	\$581,597,856	\$643,059,557

TABLE 13: WIC RESOURCES FOR FOOD FOR SFY 2022-23

Resource	FFY 2022	FFY 2023	Prorate to SFY 2022-23
Base Appropriation	\$476,407,237	\$476,407,237	\$476,407,237
Reallocations	\$105,190,619	\$105,190,619	\$105,190,619
Fruits & Vegetables	\$0	\$0	\$0
Total	\$581,597,856	\$581,597,856	\$581,597,856

3. NSA Grant

Approximately 34 percent of the national WIC appropriation for federal fiscal year 2021 was allocated for NSA, and California received approximately 15 percent of that allocation. The NSA allocation for federal fiscal year 2022 will hold at 34 percent; California's share will remain at 15 percent of the national appropriation.

TABLE 14: FEDERAL REVENUE PROJECTIONS (NSA)

Federal Fiscal Year	National Budget Appropriation	Discretionary Funds	% of NSA Allocation	% of California Share	Total Allocated NSA*
FFY 2021	\$4,750,000,000	\$120,000,000	34.02%	15.01%	\$236,446,346
FFY 2022	\$4,750,000,000	\$120,000,000	34.02%	15.01%	\$236,446,346

* Total Allocated NSA is equal to the National Budget Appropriation less Discretionary Funds, multiplied by the Percent of NSA Allocation, and multiplied by the Percent of California Share.

In 2020-21, NSA Grant revenue is expected to total \$385.1 million, which is an increase of \$302,000 or 0.08 percent from the 2022-23 Governor's Budget amount of \$384.8 million. This increase is due to additional prior year funds reallocated to California during FFY 2022 for NSA.

In 2021-22, NSA Grant revenue is expected to total at \$385.3 million, which is an increase of \$407,000 or 0.11 percent from the 2022-23 Governor's Budget amount of \$384.8 million. This increase is due to additional prior year funds reallocated to California during FFY 2022 for NSA and projected reallocation for FFY 2023.

TABLE 15: WIC RESOURCES FOR NSA FOR SFY 2021-22

Resource	FFY 2021	FFY 2022	Prorate to SFY 2021-22
Base Appropriation, NSA	\$236,446,346	\$236,446,346	\$236,446,346
Farmers' Market and Nutrition	\$2,029,244	\$2,029,244	\$2,029,244
Breastfeeding Peer Counseling	\$12,355,529	\$12,355,529	\$12,355,529
Reallocations	\$101,386,754	\$101,802,877	\$101,698,846
Spendforward	\$32,626,731	\$32,626,731	\$32,626,731
Total	\$384,844,604	\$385,251,505	\$385,147,474

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

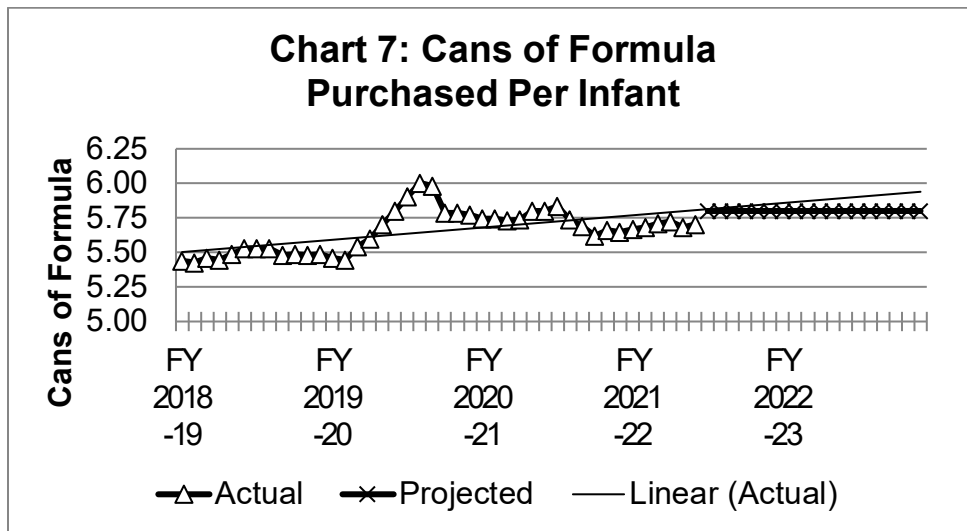
TABLE 16: WIC RESOURCES FOR NSA FOR SFY 2022-23

Resource	FFY 2022	FFY 2023	Prorate to SFY 2022-23
Base Appropriation, NSA	\$236,446,346	\$236,446,346	\$236,446,346
Farmers' Market and Nutrition	\$2,029,244	\$2,029,244	\$2,029,244
Breastfeeding Peer Counseling	\$12,355,529	\$12,355,529	\$12,355,529
Reallocations	\$101,802,877	\$101,802,877	\$101,802,877
Spendforward	\$32,626,731	\$32,626,731	\$32,626,731
Total	\$385,251,505	\$385,251,505	\$385,251,505

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

4. Rebate Funds: WIC Manufacturer Rebate Fund 3023

In addition to the federal Food and NSA Grants, WIC receives rebate funds from the contracted infant formula manufacturer. WIC estimates current year infant formula WIC Manufacturer Rebate Fund revenues to total \$200.7 million, an increase of \$5.7 million or 2.92 percent when compared to the 2022-23 Governor’s Budget amount of \$195.0 million. The increase in projected rebate revenue is the result of the inclusion of a four percent reserve to account for changes in participation in alignment with the updated projections, offset by a slight decrease in the number of cans of infant formula being purchased per infant participant on average than was projected in the 2022-23 Governor’s Budget. In 2022-23, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues will total \$190.0 million, which is an increase of \$7.1 million or 3.88 percent when compared to the 2022-23 Governor’s Budget amount of \$182.9 million. Participation in the infant category is declining and is the driving factor in the decline in rebate revenue from 2021-22 to 2022-23. The estimated rebate revenue includes a four percent reserve to account for changes in participation in alignment with the updated projections.



Infant participants redeem approximately 5.8 cans of infant formula on average per month for each infant participant, which is then multiplied by the number of infants projected to be served monthly to arrive to total cans purchased. This number is then divided proportionally between the different forms of infant formula purchased to account for price variations by type of formula. The total number of cans is multiplied by the rebate per can to arrive at a total rebate projection by obligation month.