

**Women, Infants and Children
(WIC)
2023-24 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)	4
C. Expenditure Methodology/Key Drivers of Cost	6
D. Food Expenditures.....	7
1. Current Year	7
2. Budget Year	7
E. Other Local Assistance and State Operations Projections	8
I. Current Year	8
II. Budget Year.....	8
F. Fiscal Comparison Summary	9
II. FUND CONDITION STATEMENT	12
III. ASSUMPTIONS	13
1. Future Fiscal Issues	13
2. New Assumptions/Premises	16
3. Existing (Significantly Changed) Assumptions/Premises.....	16
4. Unchanged Assumptions/Premises	18
5. Discontinued Assumptions/Premises	20
IV. APPENDICES	21
APPENDIX A	21
APPENDIX B.....	24
APPENDIX C.....	27
APPENDIX D	29
1. Federal Food Grant	31
2. NSA Grant	32
3. Rebate Funds: WIC Manufacturer Rebate Fund (Fund 3023)	34

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 934,000 low -to-medium income California residents per month in 2021-22.

WIC receives federal funding to administer the WIC program through 84 local agencies (WIC Local Agencies) and approximately 3,800 authorized grocers (including military commissaries) and 44 authorized farmers at farmers' markets. Select authorized grocers in bordering states also accept California WIC benefits.

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, applicants can become income-eligible by providing documentation of income below 185 percent of the federal poverty level, which is equivalent to an annual income of \$45,991 for a family size of three in 2023. Applicants can also be deemed income-eligible (adjunctive eligibility) based on participation in certain means-tested programs. Applicants who currently receive or are certified as eligible to receive Medi-Cal, California Work Opportunity and Responsibility to Kids (CalWORKs), CalFresh, or Food Distribution on Indian Reservations benefits are adjunctively eligible.

WIC program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and benefits for specific supplemental foods that can be redeemed 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 2020](#), by USDA/Food and Nutrition Service

(FNS) released in January 2023), the WIC program serves 65 percent of eligible Californians, the highest coverage of eligible persons of all state WIC programs and second nationally behind Puerto Rico, while the national average is 50.2 percent; California's coverage rate is statistically significantly higher than the national average¹. 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 27 percent of gross food expenditures. WIC program federal regulations 7 CFR 246.16a 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 20 percent of WIC revenue for food.

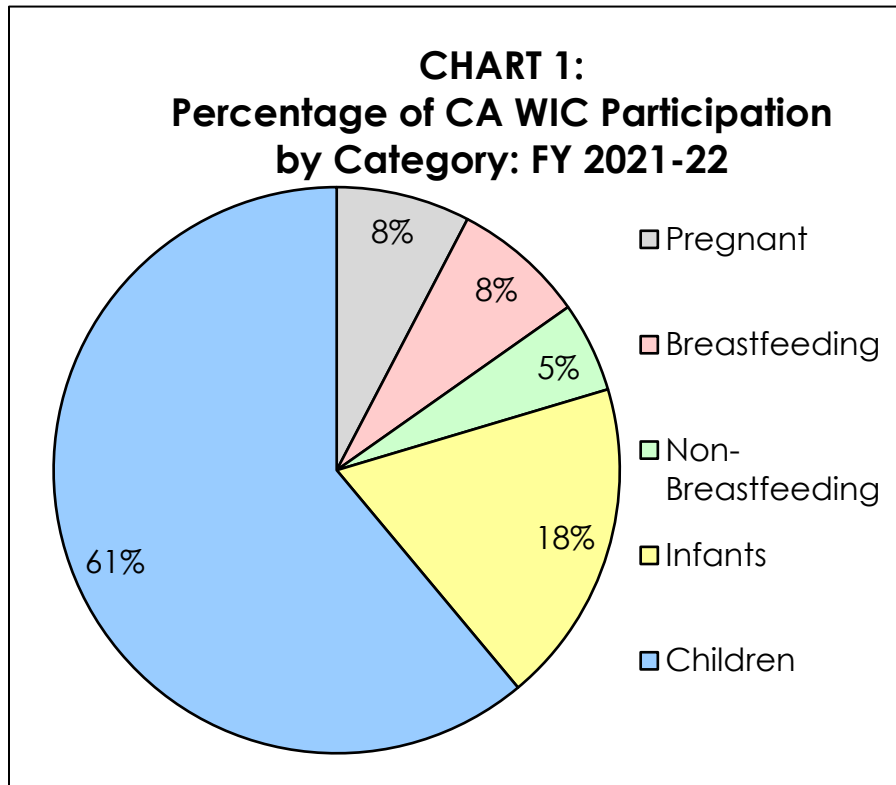
In addition to funding food expenditures, the Local Assistance budget authority includes other federal funds, such as the Nutrition Services and Administration (NSA) grant, which are used by WIC Local Agencies to provide services directly to WIC families and support the statewide management information 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 28)

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.

¹ The 2023-24 November Estimate noted that California's 2019 coverage rate was 68.9 percent; however, when developing the 2020 estimate, USDA FNS improved its methodology and updated the coverage rates back to 2016. The updated 2019 coverage rate for California is 63.6 percent.

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 2021-22.



**TABLE 1: ACTUAL CA WIC PARTICIPATION BY
 CATEGORY: FY 2021-22**

Participant Category	Annual Average Monthly Participation FY 2021-22
Pregnant	71,383
Breastfeeding	70,784
Non-Breastfeeding	48,190
Infants	173,159
Children	570,139

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	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Participant Food Package Costs	661,002,000	774,096,000	785,073,000	10,977,000	1.42%	793,345,000	844,489,000	51,144,000	6.45%
Fruits & Vegetables Increase FFY 2022 & FFY 2023	21,700,000	120,428,000	125,182,000	4,754,000	3.95%	123,380,000	130,193,000	6,813,000	5.52%
Prudent Reserve	19,830,000	26,836,000	27,308,000	472,000	1.76%	27,502,000	29,240,000	1,738,000	6.32%
Total Food Expenditures	702,532,000	921,360,000	937,563,000	16,203,000	1.76%	944,227,000	1,003,922,000	59,695,000	6.32%

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	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Total Food Expenditures	702,532,000	921,360,000	937,563,000	16,203,000	1.76%	944,227,000	1,003,922,000	59,695,000	6.32%
Food Expenditures Paid from Rebate Funds	190,012,000	213,809,000	193,360,000	(20,449,000)	-9.56%	221,918,000	217,313,000	(4,605,000)	-2.08%
Food Expenditures Paid from Federal Funds	512,520,000	707,551,000	744,203,000	36,652,000	5.18%	722,309,000	786,609,000	64,300,000	8.90%
Other Local Assistance Expenditures (Federal NSA)	322,000,000	322,000,000	322,000,000	0	0.00%	322,000,000	322,000,000	0	0.00%
Total Federal Local Assistance Expenditures (Food + NSA)	834,520,000	1,029,551,000	1,066,203,000	36,652,000	3.56%	1,044,309,000	1,108,609,000	64,300,000	6.16%
State Operations (Federal NSA)	63,145,000	64,502,000	64,502,000	0	0.00%	64,475,000	64,475,000	0	0.00%

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 increase in unemployment leading to a surge in the caseload could result in costs exceeding the projections in this Estimate.

As allowed, the prudent reserve request for food expenditures is revised for the current year to \$27.3 million, which is an increase of \$472,000 or 1.76 percent when compared to the 2023-24 Governor's Budget. The prudent reserve request for 2023-24 is \$29.2 million, which is an increase of \$1.7 million or 6.32 percent when compared to the 2023-24 Governor's Budget. The 2023-24 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, folate and folic acid, 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 parents and babies. Infants may also receive supplemental foods that are

rich in protein, calcium, iron, zinc, 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 2023-24 Governor's Budget estimated \$921.4 million (\$707.6 million federal fund and \$213.8 million rebate fund) for 2022-23. The 2023-24 May Revision Estimate anticipates an increase in food expenditures in 2022-23 to \$937.6 million (\$744.2 million federal fund and \$193.4 million rebate fund), an increase of \$16.2 million or 1.76 percent compared to the 2023-24 Governor's Budget. The increase in food expenditures is based on an increase in participation (956,319 participants projected in the May Revision compared to 943,237 projected in the 2023-24 Governor's Budget), an increase in food inflation (10.23 percent in the 2023-24 May Revision compared to 7.94 percent in the 2023-24 Governor's Budget), and an increase to the estimated cost for the fruits and vegetables benefit increase. These increases are partially offset by a reduction in the projected rebate revenue. Rebate revenue is projected at \$193.4 million, which is a decrease of \$20.4 million or 9.56 percent compared with the 2023-24 Governor's Budget amount of \$213.8 million and is attributed to decreased rebate received due to the infant formula shortage, as well as lower rebate per can following the transition to a new infant formula contractor.

2. Budget Year

For 2023-24, WIC's food expenditure estimate is \$1.004 billion (\$786.6 million federal fund and \$217.3 million rebate fund), which is an increase of \$59.7 million or 6.32 percent as compared to the 2023-24 Governor's Budget amount of \$944.2 million (\$722.3 million federal fund and \$221.9 million rebate fund). The increase in food expenditures is driven by an increase in current and budget year participation projections (991,619 participants projected in the 2023-24 May Revision Estimate compared to 946,352 projected in the 2023-24 Governor's Budget), a food inflation rate of 3.28 percent, an increase from the 2023-24 Governor's Budget projection of 1.88 percent, and an increase to the estimated cost for the fruits and vegetables benefit increase. Rebate revenue is projected at \$217.3 million, which is a decrease of \$4.6 million or 2.08 percent compared

with the 2023-24 Governor's Budget amount of \$221.9 million. The decrease in rebate revenue is due to lower projected rebate per can following the transition to a new infant formula contractor.

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.

I. Current Year

In 2022-23, the NSA budget, including the anticipated expenditures for local administration, are estimated at \$322.0 million, which is the same as the 2023-24 Governor's Budget. State Operations expenditures are estimated at \$64.5 million, which is the same as the 2023-24 Governor's Budget.

II. Budget Year

For 2023-24, the NSA budget and anticipated expenditures for local administration are estimated at \$322.0 million, which is the same as the 2023-24 Governor's Budget. State Operations expenditures are estimated at \$64.5 million, which is the same as the 2023-24 Governor's Budget.

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	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Local Assistance Expenditures	834,520,000	1,029,551,000	1,066,203,000	36,652,000	3.56%	1,044,309,000	1,108,609,000	64,300,000	6.16%
Food Expenditures (Food Grant)	512,520,000	707,551,000	744,203,000	36,652,000	5.18%	722,309,000	786,609,000	64,300,000	8.90%
Other Local Assistance (NSA Grant)	322,000,000	322,000,000	322,000,000	0	0.00%	322,000,000	322,000,000	0	0.00%
State Operations (NSA Grant)	63,145,000	64,502,000	64,502,000	0	0.00%	64,475,000	64,475,000	0	0.00%

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

Fund 0890 Federal Trust Fund	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Total Available Resources	966,850,000	1,119,991,000	1,146,079,000	26,088,000	2.33%	1,122,790,000	1,173,084,000	50,294,000	4.48%
Food Grant	581,598,000	732,491,000	758,169,000	25,678,000	3.51%	734,590,000	786,609,000	52,019,000	7.08%
NSA Grant	385,252,000	387,500,000	387,910,000	410,000	0.11%	388,200,000	386,475,000	(1,725,000)	-0.44%

TABLE 6: EXPENDITURE COMPARISON (rebate funds)
All figures in dollars, rounded to the nearest thousand

Fund 3023 Manufacturer Rebate	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Local Assistance Expenditures	190,012,000	213,809,000	193,360,000	(20,449,000)	-9.56%	221,918,000	217,313,000	(4,605,000)	-2.08%

TABLE 7: REVENUE COMPARISON (rebate funds)
All figures in dollars, rounded to the nearest thousand

Fund 3023 Manufacturer Rebate	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Projected Rebate Revenue	182,704,000	205,586,000	191,322,000	(14,264,000)	-6.94%	213,383,000	208,955,000	(4,428,000)	-2.08%
4% Reserve for Additional Revenue	7,308,000	8,223,000	2,038,000	(6,185,000)	-75.22%	8,535,000	8,358,000	(177,000)	-2.07%
Total Available Resources	190,012,000	213,809,000	193,360,000	(20,449,000)	-9.56%	221,918,000	217,313,000	(4,605,000)	-2.08%

II. FUND CONDITION STATEMENT

The Fund Condition Statement below illustrates the status of the WIC Manufacturer Rebate Fund (Fund 3023) for actual revenues and expenditures for 2021-22, and projected revenues for 2022-23 and 2023-24:

TABLE 8: FUND CONDITION STATEMENT*Dollars in thousands*

3023 WIC Manufacturer Rebate Fund	SFY 2021-22 Actual	SFY 2022-23 Estimate	SFY 2023-24 Estimate
BEGINNING BALANCE	137	9,057	9,077
Prior Year Adjustments	370	0	0
Adjusted Beginning Balance	507	9,057	9,077
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4163000 Investment Income - Surplus Money Investments	11	20	20
4172500 Miscellaneous Revenue	193,068	193,360	217,313
Total Revenues, Transfers, and Other Adjustments	193,079	193,380	217,333
Total Resources	193,586	202,437	226,410
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (Local Assistance)	184,529	193,360	217,313
Total Expenditures and Expenditure Adjustments	184,529	193,360	217,313
FUND BALANCE	9,057	9,077	9,097

III. ASSUMPTIONS

1. Future Fiscal Issues

a. American Rescue Plan Act of 2021: 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 Women, Infants, and Children (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 (FMNP). Overall, the modernization efforts aim to improve the effectiveness and accessibility of the WIC program for participants and providers.

In late February 2022, the USDA released grant information to modernize benefit delivery for the FMNP. The total funding amount is \$15 million, and the USDA indicated to states that grant amounts are expected to be up to \$250,000 per state agency and up to \$750,000 for a multi-state consortium to procure an existing electronic, mobile FMNP solution. This grant opportunity is not intended to support the development of a new, untested solution.

In June 2022, the USDA announced a grant opportunity for WIC state agencies to improve the shopping experience for participants, which includes online shopping. There is a total of \$50 million available with a maximum grant total of \$15 million for first-year state agency projects. FNS expects to make awards between \$250,000 and \$750,000 per state agency or per member of a multi-state agency collaboration.

In August 2022, the USDA offered a total of \$31.2 million in non-competitive grant funding to WIC state agencies. Each state agency is eligible for \$350,000. Federally funded projects must aim to improve the WIC participant experience, with the goals of increasing participant enrollment and retention while improving equity.

The USDA has announced plans to develop and implement a national outreach campaign by Federal Fiscal Year (FFY) 2024 to increase enrollment and retention in WIC. The USDA is also supporting local WIC partnerships with community organizations through strategic partnerships.

Although the initial application deadlines may have passed for most of the above grant opportunities, the USDA has indicated that the grant applications may reopen through FFY 2024, as long as funding remains. CDPH/WIC is continually assessing the needs and available resources in the California WIC program, to determine the need to apply for these grant funds.

Description of Change: The \$390 million will be available to the USDA Secretary of Agriculture 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): Currently no impact. CDPH/WIC has not yet applied for any of the funding opportunities due to the limited funds available to each state by project, the prioritization of CDPH/WIC efforts on the pandemic response, and the shortage of infant formula. However, CDPH/WIC continues to assess its needs and available funding to determine the feasibility of future opportunities provided by USDA. If CDPH/WIC does apply and is awarded funding, the impact would not be seen until FY 2023-24 or FY 2024-25. The impacted Fund Source is the Federal Trust Fund (0890).

b. Proposed Food Package Revisions

Background: In November 2022, USDA FNS released its proposed rule for regulations governing the WIC food packages. This proposed rule incorporates recommendations from a National Academies of Sciences, Engineering, and Medicine's (NASEM) 2017 report and the latest Dietary Guidelines for Americans. The proposed rule includes many recommended food package revisions, including increases for under-consumed foods like fruits and vegetables and canned seafood. The proposed rule includes an increased fruits and vegetables benefit matching the amounts from FFY 2022: \$24 for children; \$43 for pregnant and postpartum participants; and \$47 for breastfeeding participants. These amounts will be adjusted for inflation and are slightly lower than the amounts currently authorized as part of the Consolidated Appropriations Act, 2023 due to the inflationary adjustment authorized by USDA beginning on October 1, 2022.

Public written comments on the Proposed Rule were due to USDA FNS February 21, 2023. CDPH/WIC anticipates that USDA FNS will propose for states to implement regulatory changes within 18 months from the publication of the final rule. CDPH/WIC is in the process of identifying necessary measures to fully

implement the revisions to the food packages and other provisions in the rule once it is finalized.

Description of Change: Changes would result when the California Department of Public Health (CDPH), WIC (CDPH/WIC) implements food changes after USDA FNS releases its final rule for food packages. Specific food changes are dependent on which changes USDA FNS includes in their final rule, but CDPH/WIC expects the plan to include the following food package changes:

- Making the enhanced fruits and vegetables benefit for women and children from FFY 2022 and FFY 2023 permanent; would make permanent the increase in food expenditures that began in FFY 2022.
- New seafood choices for older children and non-breastfeeding women; would likely increase food expenditures for that food group.
- Additional food choices and/or increased food amounts for various food groups; would likely increase food expenditure for those food groups.
- Reductions in the amounts of some authorized foods, like juice and milk; would likely reduce food expenditures for those food groups.

Discretionary: Mixed – will depend on whether regulatory provisions are permissive or mandatory in the final food package rule.

Reason for Adjustment/Change:

- CDPH/WIC will be required to implement mandatory food changes once USDA FNS releases the final rule for food packages; the proposed rule includes both increases and reductions to the quantities issued depending on food group, as well as the addition of new foods for some participants. As a result, there may be an increase in some food group expenditures and reductions in others.

Fiscal Impact (Range) and Fund Source(s): Impact to Federal Trust Fund (0890) is uncertain at this time as there are no implementation dates included in USDA's proposed rule.

c. Federal Fiscal Year (FFY) 2024 Budget Appropriation

Background: The WIC Program national budget is subject to federal budget negotiations and annual appropriations process, starting with the President's proposed budget, due annually to Congress by the first Monday in February, followed by the House and Senate proposed budgets for the federal fiscal year. Following negotiations, the final federal budget passed by the legislature is signed and enacted by the President.

Description of Change: The President's Budget for FFY 2024 was delayed in its release to Congress and was delivered on March 9, 2023. The President's Budget

proposed \$6.3 billion to fully fund the national WIC program, which is an increase of \$300 million over the FFY 2023 appropriation. The budget request continues the provision that extends the temporary increase in the fruits and vegetables benefit through September 30, 2024, and also projects an increase in the food package cost due to inflation. Both House and Senate budget proposals are anticipated to support WIC families with similar provisions.

Discretionary: No

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 WIC Nutrition Services and Administration (NSA) funding levels.

Fiscal Impact (Range) and Fund Source(s): There is no projected impact to Food or NSA grant revenue for FFY 2024 from FFY 2023 funding levels. It is expected that operational needs will be met if the program continues to be funded at minimum \$6 billion for FFY 2024. There is sufficient funding to support the continuation of the increased fruits and vegetables benefit, estimated at \$116.7 million annually, through September 30, 2024. The impacted Fund Source is the Federal Trust Fund (0890).

2. New Assumptions/Premises

There are no New Assumptions/Premises.

3. Existing (Significantly Changed) Assumptions/Premises

a. Infant Formula Shortage and Rebate Revenue

Background: From February through June 2022, a major production plant for one of the largest infant formula manufacturers in the United States, Abbott Laboratories, was closed by the FDA while researching alleged infant formula contamination and subsequent damage to the facility from extreme weather. This resulted in a nationwide shortage of infant formula as families sought other infant formula options, clearing shelves in grocery stores. Due to the shortage, California families participating in the WIC program faced difficulties purchasing infant formula using their WIC benefits. CDPH/WIC implemented emergency measures authorized by the federal government to increase access to infant formula for WIC participants, including authorizing noncontract infant formulas and allowing purchasing flexibilities for participants in stores. These emergency measures resulted in a decrease in rebate-eligible infant formula purchased by the WIC program using the EBT benefits than would be expected under normal circumstances.

In the 2023-24 Governor's Budget projections, CDPH/WIC excluded redemption data for rebated items purchased per infant participant for the months between March and June 2022 as they were determined to be unreliable for projecting future rebate item purchasing patterns and rebate revenue. Despite the reopening of the Abbott Laboratories infant formula production plant, infant formula shortages continued through the end of calendar year 2022 and persist into calendar year 2023.

USDA FNS requires WIC state agencies to conduct a competitive bidding process to ensure states obtain the lowest net price for infant formula provided to WIC families. In August of 2022, CDPH/WIC changed its milk-based infant formula rebate contractor to Abbott Laboratories due to a new contract resulting from the required bidding process. Abbott Laboratories agreed to extend rebate payments for the redemption of competitive infant formula products, during the emergency, when their product was unavailable.

The continuation of emergency measures made redemption data from July 2022 through February 2023 unreliable for projecting future rebate item purchasing and rebate revenue. On December 19, 2022, the USDA announced that the emergency measures needed for noncontract infant formula is expected to lessen and WIC State agencies will transition back to regular program operations. The flexibilities for noncontract formula were extended through February 28, 2023, and for some infant formula products through June 30, 2023. The USDA will continue to monitor the infant formula supply and work with stakeholders to ensure uninterrupted access for WIC families.

Description of Change: The rebate revenue reported for the redemption months of March 2022 through February 2023 will be excluded from the calculation of average cans of infant formula purchased by participants for the purposes of projecting future rebate revenue. CDPH/WIC will use the prior 12 months of data for the estimates, ending with February 2022 redemption data.

Discretionary: Yes

Reason for Adjustment/Change:

- Infant formula shortages caused by an infant formula plant closure from March to June 2022, forced CDPH/WIC to implement emergency measures to ensure access to infant formula.
- Emergency measures resulted in more non-rebated infant formula purchased by the WIC Program and an artificial decrease in rebate revenue.
- Redemption data from the time that emergency measures were implemented are now an unreliable source for estimating the number of rebate items purchased per participant and projecting rebate revenue.

Historical data prior to the infant formula shortage is still recent enough and reliable for projecting rebate revenue.

- The Infant formula shortage persisted through the beginning of 2023 and contractor changes resulted in the need to exclude redemption data for selected months from the projections of future months' revenue.

Fiscal Impact (Range) and Fund Source(s): No anticipated fiscal impact to Manufacturer's Rebate Fund (3023) projections by using data from prior to the infant formula shortage. If the months are not excluded, there would be a decrease in rebate revenue and expenditure projections for Fiscal Year (FY) 2022-23 of \$13.9 million and for FY 2023-24 of \$19.8 million due to the reduced rebate revenue and cans purchased per participant.

4. Unchanged Assumptions/Premises

a. Federal Fiscal Year (FFY) 2022 and 2023 Fruits and Vegetables Increase

Background: The FFY 2022 final full year federal budget included provisions which extended the increased fruits and vegetables benefit through September 30, 2022. Benefit levels for FFY 2022 were authorized at an amount recommended by NASEM and adjusted for inflation. The amounts for FFY 2022 were: \$24 per month for children, \$43 per month for pregnant and postpartum participants, and \$47 per month for breastfeeding participants. The Consolidated Appropriations Act, 2023 authorized the increased fruits and vegetables benefit to September 30, 2023.

The USDA provided state agencies with FFY 2023 inflation adjusted amounts, increasing the monthly fruits and vegetables benefit amounts in FFY 2023 to \$25 for children, \$44 for pregnant and postpartum participants, and \$49 for breastfeeding participants.

Description of Change: The average additional amount spent on fruits and vegetables per participant for the months of October 2021 through September 2022 totaled \$116.7 million in additional food costs, or \$10.39 per participant increased from \$9.97 per participant used in the 2023-24 Governor's Budget projections.

An inflationary increase was added to adjust the increased fruits and vegetables benefit starting October 1, 2022 to accommodate inflation experienced since the increased fruits and vegetables benefit was established. As a result, the average additional amount spent on fruits and vegetables per participant for the months of October and November 2022 (December 2022 not yet finalized) has increased to \$10.57 compared with the \$9.97 per participant used in the 2023-24 Governor's Budget projections.

The projected additional amount is added into the estimate for projected months remaining in FY 2022-23 and all months for FY 2023-24 by multiplying projected participation by this average additional amount spent on fruits and vegetables. The Consolidated Appropriations Act, 2023 extended the increased fruit and vegetable benefit through September 30, 2023 and is included as a part of the base cost per participant used in the projections for FY 2023-24. The increased fruits and vegetables benefit is included through FFY 2024 due to proposed Food Package Rule Changes that will make the increased fruits and vegetables benefit permanent.

Discretionary: No.

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 is sufficient to cover the increased expenditures for fruits and vegetables.
- The funding provided for the WIC Program for FFY 2023 by the Consolidated Appropriations Act, 2023 is sufficient to cover the increased expenditures for fruits and vegetables.

Fiscal Impact (Range) and Fund Source(s): The updated amount spent per participant for FFY 2022 and FFY 2023 results in a revised impact to FY 2022-23 of \$125.2 million, an increase of \$4.8 million or 3.97 percent from the 2023-24 Governor's Budget projection of \$120.4 million. The revised impact to FY 2023-24 is \$130.2 million, an increase of \$6.8 million or 5.51 percent from the 2023-24 Governor's Budget projection of \$123.4 million. These amounts are inclusive of the inflationary increase to the fruits and vegetables benefit that began October 1, 2022 (projected \$7.6 million in 2022-23 and \$10.2 million in 2023-24). There is sufficient Food grant revenue authorized under the final and projected federal budgets to support this increase. The impacted Fund Source is the Federal Trust Fund (0890).

b. Federal Fiscal Year (FFY) 2023 Budget Appropriation

Background: In December 2022, the Consolidated Appropriations Act, 2023 was enacted and includes \$6 billion in funding for WIC with a modest rescission amount of \$315 million. The Act includes an extension of the enhanced benefit for fruits and vegetables through FFY 2023 and plans to update the WIC food packages to reflect the most updated nutrition science-based recommendations aligned with the NASEM recommendations, adjusted for inflation.

Description of Change: There is no change to overall WIC funding levels under the Consolidated Appropriations Act for FFY 2023.

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 Congress votes and passes, and the President signs, directly affects California's Food and NSA funding levels.
- The Consolidated Appropriations Act, 2023 provides funding levels for WIC for FFY 2023 equal to FFY 2022.

Fiscal Impact (Range) and Fund Source(s): Based on the Consolidated Appropriations Act, 2023, there is no impact to Food or NSA grant revenue for FFY 2023 from FFY 2022 funding levels. There is sufficient funding to support the continuation of the increase to the fruits and vegetables benefit, estimated at \$113 million annually, through September 30, 2023. The impacted Fund Source is the Federal Trust Fund (0890).

5. Discontinued Assumptions/Premises

There are no Discontinued Assumptions/Premises.

IV. APPENDICES

APPENDIX A

Rationale and Methodology for Participation and Expenditure Projections

According to the most recent data (Eligibles and Program Reach, 2020, by USDA FNS released in January 2023), the WIC program serves 65 percent of eligible Californians, the highest coverage of eligible persons of all state WIC programs and second nationally behind Puerto Rico, while the national average is 50.2 percent.

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

The five participation categories, defined on page 6, 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.

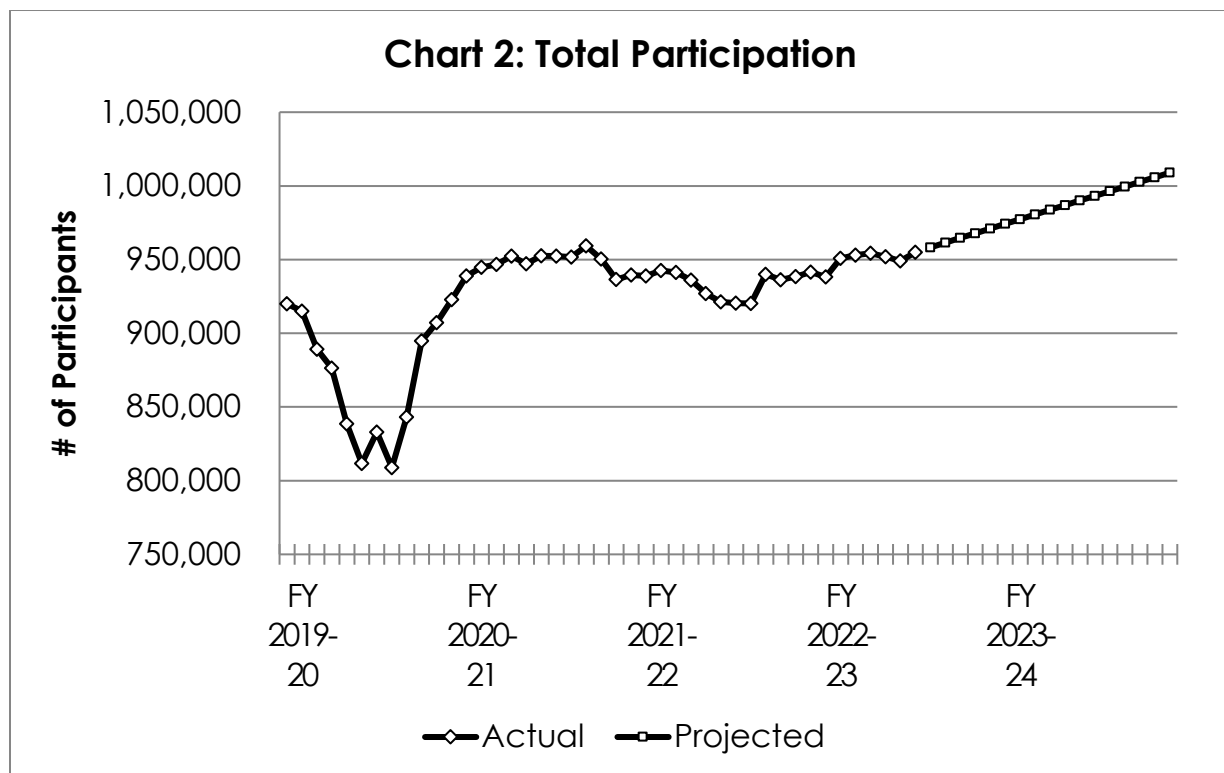
Using these two parameters and starting the model off with the most recent month of participation actuals, CDPH/WIC calculated subsequent months of participation for each of the five WIC participation categories (infants, children, pregnant women, breastfeeding mothers, and non-breastfeeding mothers).

Monthly projections were then summed across categories to provide a total estimate of the WIC participant population at any given point in time.

Total average monthly participation for 2022-23 is based upon 7 months of actuals and 5 months of projected data summed across all categories. For 2021-22, monthly average participation was 933,656. WIC estimates average monthly participation for 2022-23 will increase to 956,319, an increase of 2.43 percent, compared to a decrease of 1.48 percent in 2021-22.

Total average monthly participation for 2023-24 is based upon the remaining projected months from the growth model initialized with January 2023 as the most recent month of actuals. WIC estimates average monthly participation will increase to 991,619, an increase of 3.69 percent, compared to the 2.43 percent increase projected for 2022-23.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels through 2023-24, which includes updated actual participation numbers through January 2023:



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 October 2022 with projections through the end of 2023-24. The updated projected CPI rate in 2022-23 is 10.23 percent, and for 2023-24 is 3.28 percent. Historical expenditures and updated average per participant food costs for 2021-22 through December 2022 were used to update projections for 2022-23 and to build the new projection for 2023-24 food costs. Below is a chart summarizing total actual food cost expenditures for 2021-22 and food cost projections for the current and budget year.

TABLE 9: FOOD EXPENDITURES

Factor	2021-22 Actuals	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Average Monthly Participation*	933,656	943,237	956,319	13,082	1.39%	991,619	48,382	5.13%
Average Cost per Participant**	\$72.61	\$78.36	\$79.32	\$0.96	1.22%	\$81.91	\$3.55	4.53%
Annual Expenditures***	\$813,550,161	\$886,944,694	\$910,255,202	\$23,310,508	2.63%	\$974,682,475	\$87,737,781	9.89%

* SFY 2022-23 Average Participation includes actual participation for July 2022 through January 2023 and projected participation for February 2023 through June 2023.

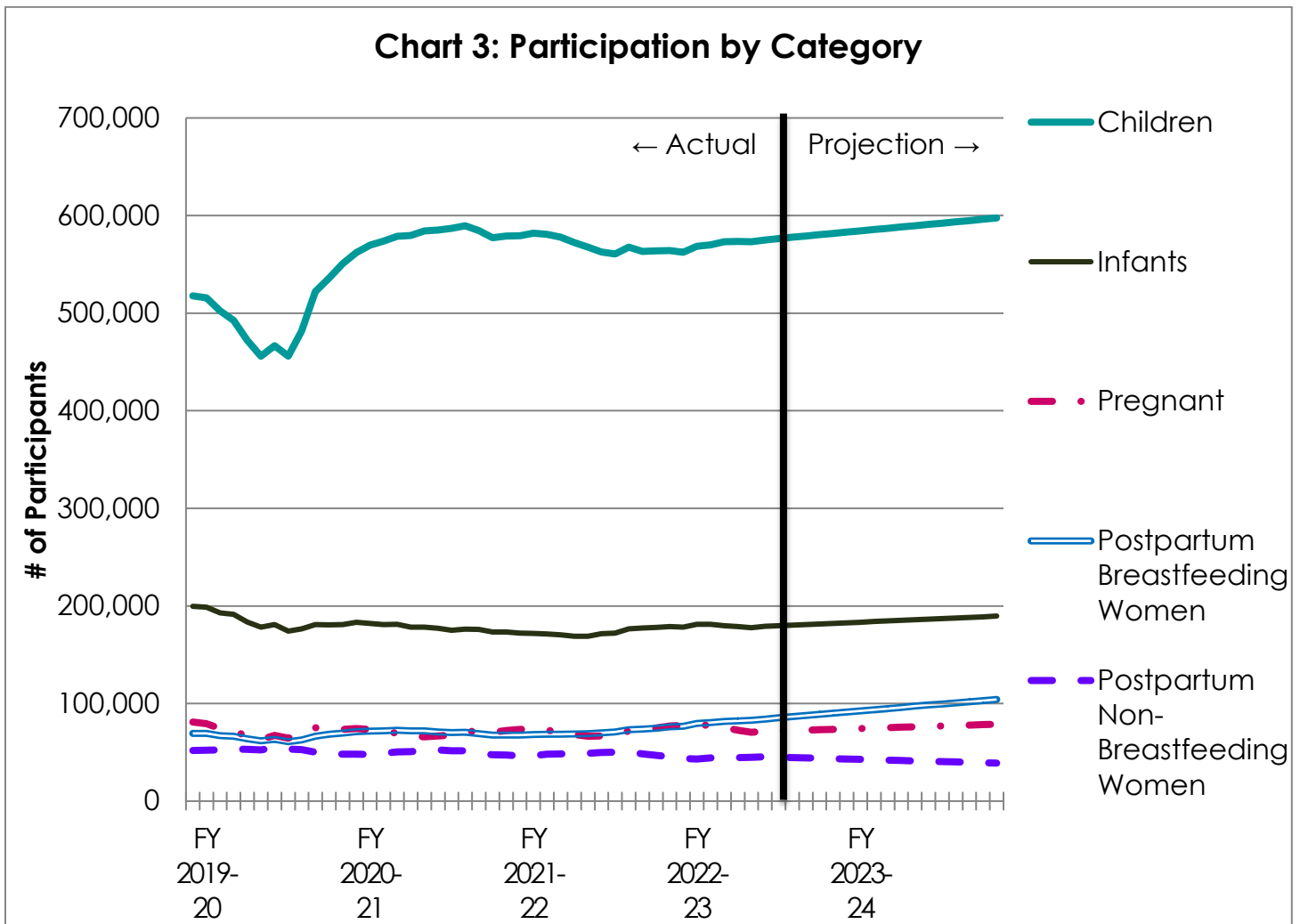
**SFY 2022-23 and SFY 2023-24 Average Cost per Participant calculation includes full year impact of the Fruit and Vegetable increase.

*** Numbers rounded to the nearest dollar. Does not include 3 percent Prudent Reserve in food expenditures.

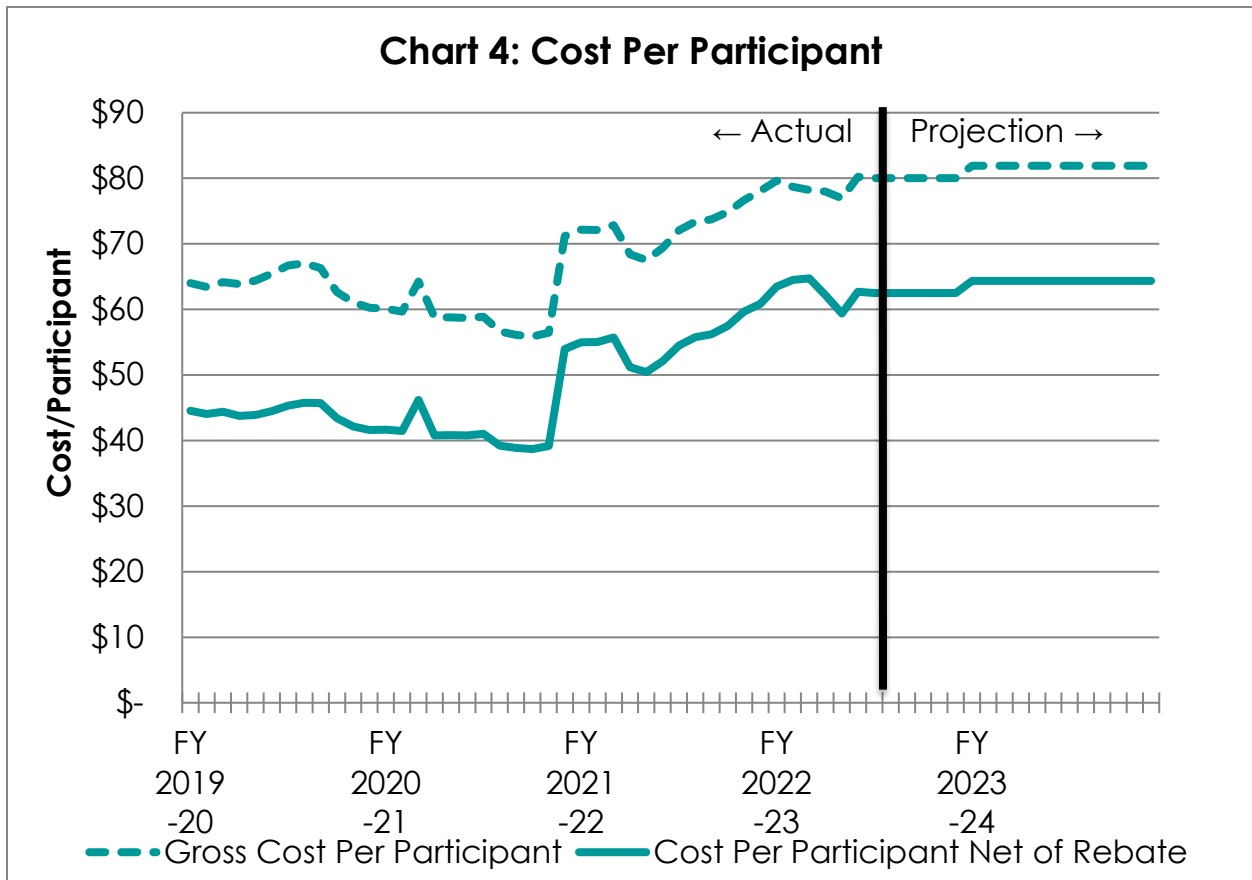
APPENDIX B

Participant and Food Cost Projections by Category

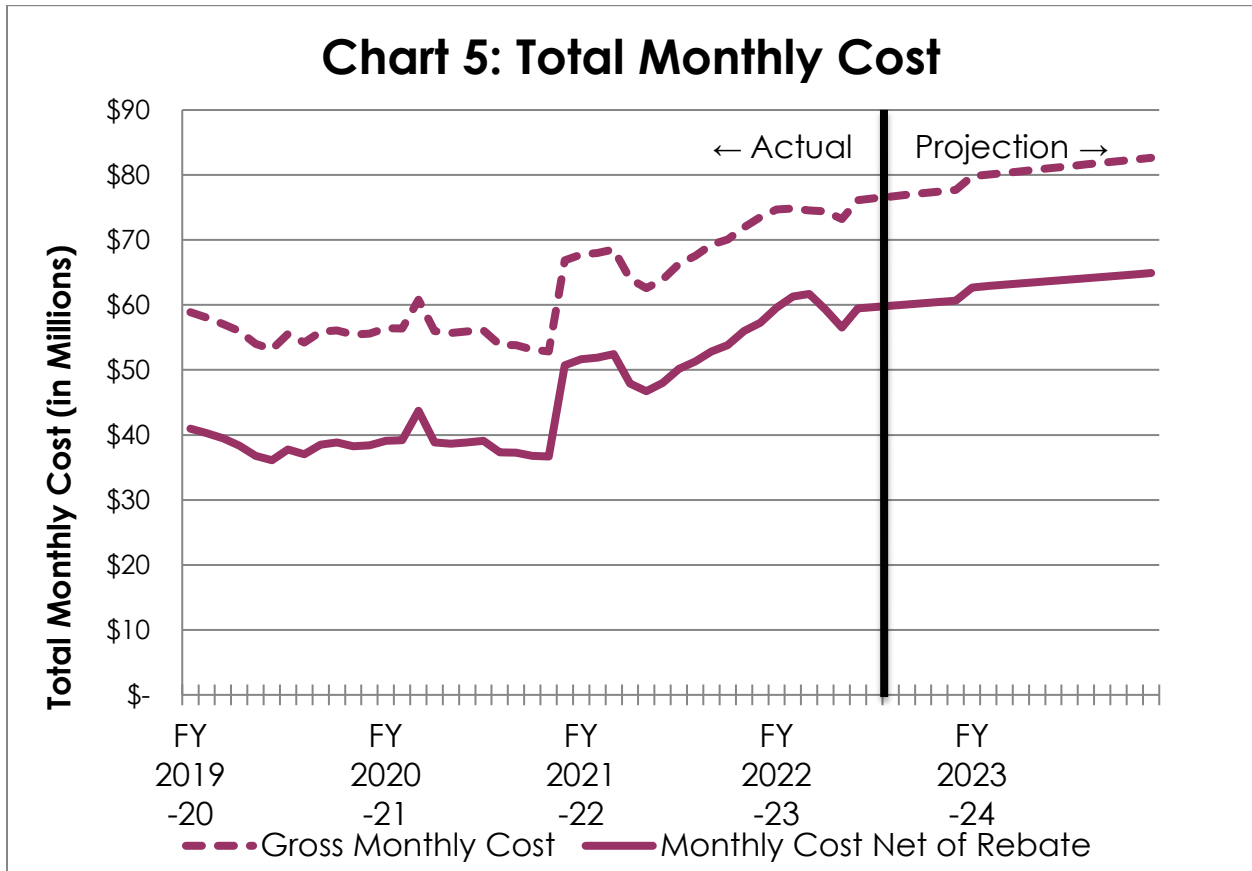
The figure below illustrates actual and projected participation trends since 2019-20. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. This population also experienced considerable growth around the time of the COVID-19 statewide shutdown as a result of increased recertification rates and large-scale auto-issuance of food benefits. This growth slowed for a time but has now started to increase moderately 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):

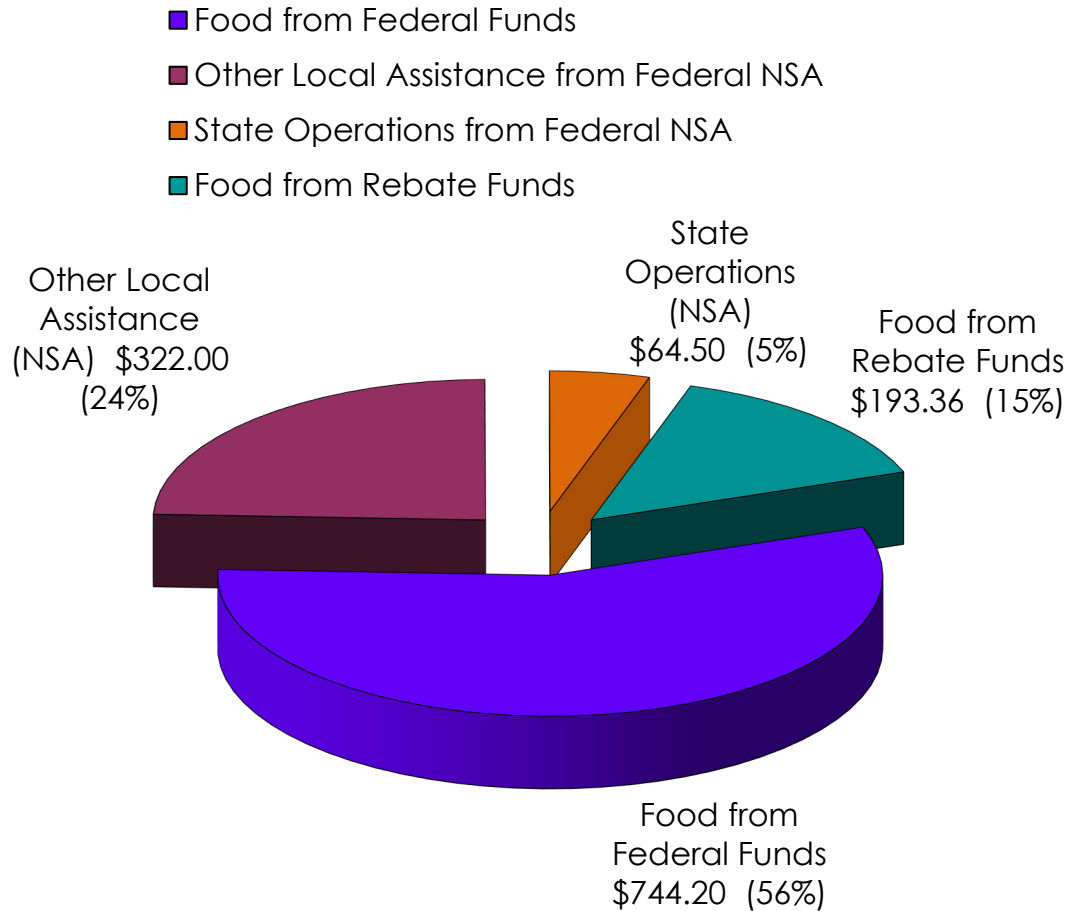


APPENDIX C**WIC Special Display Chart (Government Code 13343)****TABLE 10: CALIFORNIA WIC PROGRAM EXPENDITURES**

PY 2021-22 (Actual) figures pending submittal of financial statements.

Funding Source	PY 2021-22 (Actual)	CY 2022-23 (Estimated)	BY 2023-24 (Proposed)
LOCAL ASSISTANCE <i>0890 Federal Grant for WIC</i>	\$802,249,395	\$1,066,203,000	\$1,108,609,000
TOTAL FEDERAL TRUST FUND	\$802,249,395	\$1,066,203,000	\$1,108,609,000
<i>3023 WIC Manufacturer Rebate Fund</i>	\$193,607,316	\$193,360,000	\$217,313,000
TOTAL LOCAL ASSISTANCE	\$995,856,711	\$1,259,563,000	\$1,325,922,000
STATE OPERATIONS <i>0890 Federal Grant for State Operations</i>	\$52,394,854	\$64,502,000	\$64,475,000
GRAND TOTAL WIC PROGRAM	\$1,048,251,565	\$1,324,065,000	\$1,390,397,000

**Chart 6: WIC EXPENDITURES
FY 2022-23
(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 \$1.146 billion, which is an increase of \$26.1 million or 2.33 percent from the 2023-24 Governor's Budget amount of \$1.120 billion. The estimate is based on the appropriated federal budget for federal fiscal year 2022.

For 2023-24, the projected federal revenue will total \$1.173 billion, which is an increase of \$50.3 million or 4.48 percent from the 2023-24 Governor's Budget amount of \$1.123 billion. This projection is based on California's base grant allocation and projected reallocations for Food and NSA for FFY 2023.

TABLE 11: REVENUE COMPARISON (all funds)
All figures in dollars, rounded to the nearest thousand

Revenue Source	2022 Budget Act	2023-24 Governor's Budget for 2022-23	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget	2023-24 Governor's Budget for 2023-24	2023-24 May Revision	Change from Governor's Budget	% Change from Governor's Budget
Federal Food Grant	581,598,000	732,491,000	758,169,000	25,678,000	3.51%	734,590,000	786,609,000	52,019,000	7.08%
Rebate Food Funds	190,012,000	213,809,000	193,360,000	(20,449,000)	-9.56%	221,918,000	217,313,000	(4,605,000)	-2.08%
Total Funds for Food	771,610,000	946,300,000	951,529,000	5,229,000	0.55%	956,508,000	1,008,527,000	47,414,000	4.96%
Federal NSA Grant	385,252,000	387,500,000	387,910,000	410,000	0.11%	388,200,000	386,475,000	(1,725,000)	-0.44%
Total Federal Funds	966,850,000	1,119,991,000	1,146,079,000	26,088,000	2.33%	1,122,790,000	1,173,084,000	50,294,000	4.48%

1. Federal Food Grant

Nationally, approximately 68.5 percent of the federal fiscal year 2022 appropriation is allocated for food and California receives approximately 15.6 percent of that appropriation. The food allocation for federal fiscal year 2023 will slightly decrease to 67.9 percent. These amounts are based on the final funding formula allocations, which take into account the continuation of the fruits and vegetables increase as part of the base grant and inflation, as authorized by the Consolidated Appropriations Act, 2023.

TABLE 12: FEDERAL REVENUE PROJECTIONS (Food)

Federal Fiscal Year	National Budget Appropriation	Discretionary Funds	% of Food Allocation	% of California Share	Total Allocated Food*
FFY 2022	\$5,378,328,000	\$146,500,000	68.50%	15.59%	\$558,603,102
FFY 2023	\$5,685,000,000	\$157,654,000	67.86%	15.49%	\$580,978,951

* 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 2022-23, Food Grant revenue is expected to total \$758.2 million, which is an increase of \$176.6 million or 30.36 percent from the 2023-24 Governor's Budget. The increase is driven by the continuation of funding for the fruits and vegetables benefit increase in both FFY 2022 and FFY 2023 and inflation.

For 2023-24, Food Grant revenue is expected to total \$786.6 million, which is an increase of \$52 million or 8.84 percent from the 2023-24 Governor's Budget, due to the continuation of funding for the fruits and vegetables benefit increase in FFY 2023 and projected continuation of the fruits and vegetables benefit in FFY 2024 and inflation.

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

Resource	FFY 2022	FFY 2023	Prorate to SFY 2022-23
Base Appropriation	\$558,603,102	\$580,978,951	\$575,384,989
Reallocations	\$167,590,369	\$187,848,533	\$182,783,992
Total	\$726,193,471	\$768,827,484	\$758,168,981

TABLE 14: WIC RESOURCES FOR FOOD FOR SFY 2023-24

Resource	FFY 2023	FFY 2024	Prorate to SFY 2023-24
Base Appropriation	\$580,978,951	\$614,088,579	\$605,811,172
Reallocations	\$187,848,533	\$178,447,593	\$180,797,828
Total	\$768,827,484	\$792,536,172	\$786,609,000

2. NSA Grant

Approximately 31.5 percent of the national WIC appropriation for federal fiscal year 2022 was allocated for NSA, and California received approximately 15 percent of that allocation. The NSA allocation for federal fiscal year 2023 will slightly increase to 32.1 percent; California's share will slightly decrease to 14.8 percent of the national appropriation.

TABLE 15: FEDERAL REVENUE PROJECTIONS (NSA)

Federal Fiscal Year	National Budget Appropriation	Discretionary Funds	% of NSA Allocation	% of California Share	Total Allocated NSA*
FFY 2022	\$5,378,328,000	\$146,500,000	31.50%	14.96%	\$246,578,503
FFY 2023	\$5,685,000,000	\$157,654,000	32.14%	14.84%	\$263,580,857

* 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 2022-23, NSA Grant revenue is expected to total \$387.9 million, which is an increase of \$2.7 million or 0.69 percent from the 2023-24 Governor's Budget amount of \$385.3 million. This increase is due to additional prior year funds reallocated to California during FFY 2022 for NSA.

In 2023-24, NSA Grant revenue is expected to total at \$386.5 million, which is a slight decrease of \$1.7 million or 0.45 percent less than the 2023-24 Governor's Budget amount of \$388.2 million. This decrease is due a reduction in prior year funds available for reallocation to California in FFY 2023 and adjusted projection for reallocation in FFY 2024.

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

Resource	FFY 2022	FFY 2023	Prorate to SFY 2022-23
Base Appropriation, NSA	\$246,578,503	\$263,580,857	\$259,330,269
Farmers' Market and Nutrition	\$2,915,362	\$2,915,362	\$2,915,362
Breastfeeding Peer Counseling	\$13,133,083	\$13,133,083	\$13,133,083
Reallocations	\$91,238,725	\$74,236,371	\$78,486,960
Spend forward	\$31,101,382	\$35,024,764	\$34,043,919
Total	\$384,967,055	\$388,890,437	\$387,909,592

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

TABLE 17: WIC RESOURCES FOR NSA FOR SFY 2023-24

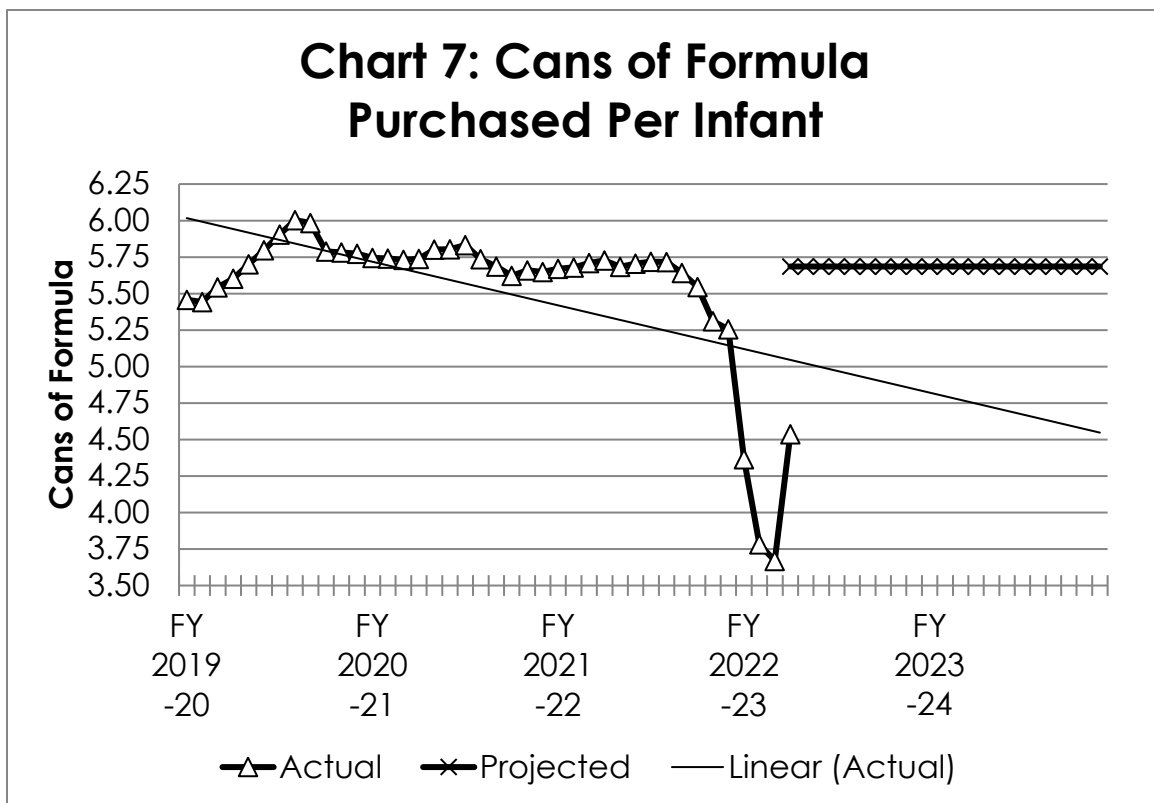
Resource	FFY 2023	FFY 2024	Prorate to SFY 2023-24
Base Appropriation, NSA	\$263,580,857	\$278,602,165	\$274,846,838
Farmers' Market and Nutrition	\$2,915,362	\$2,915,362	\$2,915,362
Breastfeeding Peer Counseling	\$13,133,083	\$12,475,147	\$12,639,631
Reallocations	\$74,236,371	\$64,094,251	\$66,629,781
Spend forward	\$35,024,764	\$27,582,929	\$29,443,388
Total	\$388,890,437	\$385,669,854	\$386,475,000

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

3. Rebate Funds: WIC Manufacturer Rebate Fund (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 \$193.4 million, a decrease of \$20.4 million or 9.56 percent when compared to the 2023-24 Governor’s Budget amount of \$213.8 million. The decrease in rebate revenue is driven by a reduction in projected infant category participation from the 2023-24 Governor’s Budget. In addition, the 4 percent reserve on the rebate fund has been reduced in FY 2022-23 to apply only to forecasted months remaining in the fiscal year. Actual rebate revenue data is available for July 2022 through March 2023, thereby reducing the 4 percent reserve to apply only to projections in April through June 2023.

In 2023-24, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues will total \$217.3 million, which is a decrease of \$4.6 million or 2.08 percent when compared to the 2023-24 Governor’s Budget amount of \$221.9 million. The decrease is driven by a reduction in projected infant category participation from the 2023-24 Governor’s Budget. 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 5.69 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.

Due to the nationwide shortage of infant formula, CDPH/WIC authorized non-contract infant formulas, which resulted in a decrease in rebate-eligible infant formula redemptions between March 2022 and February 2023. These months were excluded from the calculation of the average cans purchased, instead using the prior 12 months data ending with February 2022.