

**Women, Infants, and Children
(WIC)
2024-25 November Estimate**



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I. ESTIMATE

A. Program Overview

The California Department of Public Health (CDPH), Women, Infants, and Children Division (WIC) operates a \$1.4 billion program that served approximately 956,000 low -to- medium income California residents per month in 2022-23.

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 49 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 2021, by USDA/Food and Nutrition Service (FNS) released in November 2023), the WIC program serves 66.5 percent of

eligible Californians, the second highest coverage of eligible persons of all state WIC programs and third nationally behind Puerto Rico and Vermont, while the national average is 51.2 percent; California's coverage rate is statistically significantly higher than the national average. 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.

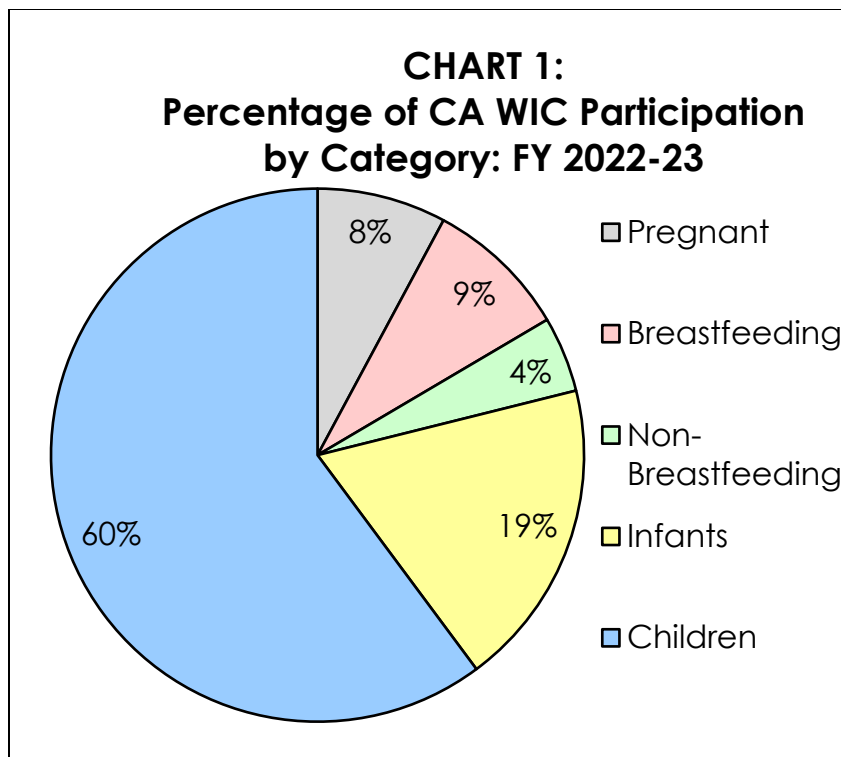
WIC revenues are comprised of the federal grants and retained manufacturer rebates. The maximum number of participants served by WIC depends largely on food package costs, of which infant formula is a large percentage. Purchase of infant formula represents approximately 24 percent of gross food expenditures. 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 29)

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.

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 2022-23.



**TABLE 1: ACTUAL CA WIC PARTICIPATION BY
CATEGORY: FY 2022-23**

| Participant Category | Annual Average Monthly Participation FY 2022-23 |
|--------------------------|---|
| Pregnant | 74,933 |
| Breastfeeding | 82,969 |
| Non-Breastfeeding | 43,831 |
| Infants | 179,014 |
| Children | 575,089 |

WIC Modernization Efforts

Nationally, the retail grocery industry has changed significantly in recent years and the COVID-19 public health emergency accelerated the use of alternative shopping options. CDPH/WIC recognizes that consumers expect modern options such as online ordering, online purchasing, and home food delivery. USDA/FNS estimates that in Federal Fiscal Year (FFY) 2024, 12 percent of WIC participants in states that opt to offer online purchasing will make a WIC purchase online. By 2028, this number is expected to increase to 20 percent (Mercatus, "eGrocery Transformed: Market projections and insight into online grocery's elevated future," (2021)), as cited in Federal Register :: Special Supplemental Nutrition

Program for Women, Infants, and Children (WIC): Online Ordering and Transactions and Food Delivery Revisions To Meet the Needs of a Modern Data-Driven Program 7 CFR, Section 246, 11540 (Feb. 23, 2023)). CDPH/WIC plans to improve the shopping experience by implementing online shopping, simplifying the use of WIC benefits at farmers' markets, and expanding WIC food options. Modernization of WIC nutrition and breastfeeding education tools and resources is critical for reaching and engaging with WIC participants. Comprehensive statewide communication and outreach efforts will also be needed to communicate these changes to WIC families, prospective applicants, and local agencies. CDPH/WIC plans to enhance WIC services for participants by leveraging modern technologies for enrollment, nutrition services and education, communication with families, and workforce development and training. In addition, CDPH/WIC will align with the federal policy and regulatory changes that are in process at USDA regarding service delivery.

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 | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|---|------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Participant Food Package Costs | 974,682,000 | 970,444,000 | (4,238,000) | -0.43% | 1,020,796,000 | 46,114,000 | 4.73% |
| Fruits & Vegetables Inflationary Increase FFY 2024 & FFY 2025 | 0 | 11,188,000 | 11,188,000 | 100.00% | 15,494,000 | 15,494,000 | 100.00% |
| Prudent Reserve | 29,240,000 | 29,449,000 | 209,000 | 0.71% | 31,089,000 | 1,849,000 | 6.32% |
| Total Food Expenditures | 1,003,922,000 | 1,011,081,000 | 7,159,000 | 0.71% | 1,067,379,000 | 63,457,000 | 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 | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|---|------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Total Food Expenditures | 1,003,922,000 | 1,011,081,000 | 7,159,000 | 0.71% | 1,067,379,000 | 63,457,000 | 6.32% |
| Food Expenditures Paid from Rebate Funds | 217,313,000 | 189,616,000 | (27,697,000) | -12.75% | 190,373,000 | (26,940,000) | -12.40% |
| Food Expenditures Paid from Federal Funds | 786,609,000 | 821,465,000 | 34,856,000 | 4.43% | 877,006,000 | 90,397,000 | 11.49% |
| Other Local Assistance Expenditures (Federal NSA) | 322,000,000 | 322,000,000 | 0 | 0.00% | 322,000,000 | 0 | 0.00% |
| Total Federal Local Assistance Expenditures (Food + NSA) | 1,108,609,000 | 1,143,465,000 | 34,856,000 | 3.14% | 1,199,006,000 | 90,397,000 | 8.15% |
| State Operations (Federal NSA) | 64,475,000 | 66,226,000 | 1,751,000 | 2.72% | 69,483,000 | 5,008,000 | 7.77% |

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 \$29.4 million, which is an increase of \$209,000 or 0.71 percent when compared to the 2023 Budget Act. The prudent reserve request for 2024-25 is \$31.1 million, which is an increase of \$1.8 million or 6.32 percent when compared to the 2023 Budget Act. The 2024-25 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 Budget Act appropriation provided \$1.004 billion (\$786.6 million federal fund and \$217.3 million rebate fund). The November Estimate anticipates an increase in food expenditures in 2023-24 to \$1.011 billion (\$821.5 million federal fund and \$189.6 million rebate fund), an increase of \$7.2 million or 0.71 percent compared to the 2023 Budget Act appropriation. The increase in food expenditures is based on an increase in participation (992,640 participants projected in the November Estimate compared to 991,619 projected in the 2023 Budget Act) and an inflationary increase to the fruits and vegetables benefit levels, offset by a slight decrease in food inflation (2.55 percent in the November Estimate compared to 3.28 percent in the 2023 Budget Act). Rebate revenue is projected at \$189.6 million, which is a decrease of \$27.7 million or 12.75 percent compared with the 2023 Budget Act amount of \$217.3 million. The decrease is attributed to a reduction in formula purchased per infant participant following the formula shortage and lower rebate per can following the transition to a new infant formula contractor.

2. Budget Year

For 2024-25, WIC's food expenditure estimate is \$1.067 billion (\$877 million federal fund and \$190.4 million rebate fund), which is an increase of \$63.5 million or 6.32 percent as compared to the 2023 Budget Act amount of \$1.004 billion (\$786.6 million federal fund and \$217.3 million rebate fund). The increase in food expenditures is driven by an increase in current and budget year participation projections (1,029,734 participants projected in the 2024-25 November Estimate compared to 991,619 projected in the 2023 Budget Act), a food inflation rate of 1.40 percent, and an inflationary increase to the fruits and vegetables benefit levels. Rebate revenue is projected at \$190.4 million, which is a decrease of \$26.9 million or 12.4 percent compared with the 2023 Budget Act amount of \$217.3 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.

1. Current Year

In 2023-24, the NSA budget, including the anticipated expenditures for local administration, are estimated at \$322.0 million, which is the same as the 2023 Budget Act. State Operations expenditures are estimated at \$66.2 million, which is a \$1.8 million increase from the 2023 Budget Act due to baseline adjustments in employee compensation and benefits.

2. Budget Year

For 2024-25, the NSA budget and anticipated expenditures for local administration are estimated at \$322.0 million, which is the same as the 2023 Budget Act. State Operations expenditures are estimated at \$69.5 million, which is an increase of \$5.0 million or 7.77 percent from the 2023 Budget Act due to baseline adjustments in employee compensation and benefits (\$2.0 million) and the WIC Modernization BCP (\$3.0 million).

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 | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|--------------------------------------|---|---|--|--|--|--|--|
| Local Assistance Expenditures | 1,108,609,000 | 1,143,465,000 | 34,856,000 | 3.14% | 1,199,006,000 | 90,397,000 | 8.15% |
| Food Expenditures (Food Grant) | 786,609,000 | 821,465,000 | 34,856,000 | 4.43% | 877,006,000 | 90,397,000 | 11.49% |
| Other Local Assistance (NSA Grant) | 322,000,000 | 322,000,000 | 0 | 0.00% | 322,000,000 | 0 | 0.00% |
| State Operations (NSA Grant) | 64,475,000 | 66,226,000 | 1,751,000 | 2.72% | 69,483,000 | 5,008,000 | 7.77% |

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

| Fund 0890 Federal Trust Fund | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|----------------------------------|------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Total Available Resources | 1,173,084,000 | 1,236,913,000 | 63,829,000 | 5.44% | 1,293,974,000 | 120,890,000 | 10.31% |
| Food Grant | 786,609,000 | 850,438,000 | 63,829,000 | 8.11% | 904,099,000 | 117,490,000 | 14.94% |
| NSA Grant | 386,475,000 | 388,226,000 | 1,751,000 | 0.45% | 391,519,000 | 5,044,000 | 1.31% |

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

| Fund 3023 Manufacturer Rebate | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|--------------------------------------|------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Local Assistance Expenditures | 217,313,000 | 189,616,000 | (27,697,000) | -12.75% | 190,373,000 | (26,940,000) | -12.40% |

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

| Fund 3023 Manufacturer Rebate | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|--------------------------------------|-------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Projected Rebate Revenue | 208,955,000 | 182,323,000 | (26,632,000) | -12.75% | 183,051,000 | (25,904,000) | -12.40% |
| 4% Reserve for Additional Revenue | 8,358,000 | 7,293,000 | (1,065,000) | -12.74% | 7,322,000 | (1,036,000) | -12.40% |
| Total Available Resources | 217,313,000 | 189,616,000 | (27,697,000) | -12.75% | 190,373,000 | (26,940,000) | -12.40% |

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 2022-23, and projected revenues for 2023-24 and 2024-25:

TABLE 8: FUND CONDITION STATEMENT

Dollars in thousands

| 3023 WIC Manufacturer Rebate Fund | SFY 2022-23 Actual | SFY 2023-24 Estimate | SFY 2024-25 Estimate |
|---|---------------------------|-----------------------------|-----------------------------|
| BEGINNING BALANCE | 9,057 | 559 | 589 |
| Prior Year Adjustments | -8,553 | 0 | 0 |
| Adjusted Beginning Balance | 504 | 559 | 589 |
| REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS | | | |
| Revenues: | | | |
| 4163000 Investment Income - Surplus Money Investments | 55 | 30 | 30 |
| 4172500 Miscellaneous Revenue | 194,081 | 189,616 | 190,373 |
| Total Revenues, Transfers, and Other Adjustments | 194,136 | 189,646 | 190,403 |
| Total Resources | 194,640 | 190,205 | 190,992 |
| EXPENDITURES AND EXPENDITURE ADJUSTMENTS | | | |
| Expenditures: | | | |
| 4265 Department of Public Health (Local Assistance) | 194,081 | 189,616 | 190,373 |
| Total Expenditures and Expenditure Adjustments | 194,081 | 189,616 | 190,373 |
| FUND BALANCE | 559 | 589 | 619 |

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. The White House Conference on Hunger, Nutrition, and Health was convened in September 2022. The Biden-Harris National Strategy on Hunger, Nutrition and Health was released and included the following directive: *USDA will advance the WIC Modernization strategy to invest in community-based outreach, streamline the participant experience, improve the in-store experience, expand access to farmer's markets, and increase diversity and cultural competency in the WIC workforce.*

In late February 2022, the USDA released grant information to modernize benefit delivery for the FMNP (FMNP eSolution). The total funding amount is \$15 million, and the USDA indicated to states that grant amounts are expected to be up to \$350,000 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.

USDA opened grant opportunities in June and August 2022 for small dollar amounts and short implementation timeframes for which California did not apply. Some of these grant opportunities have been superseded by non-competitive WIC Modernization Grant funds allocated to states in May 2023 (noted in New Assumption below). 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, if 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): Possible increase to Fund 0890 State Operations revenue and expenditure of up to \$350,000 for FMNP modernization to convert FMNP paper vouchers to Electronic Benefits Transfer EBT issuance. 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.

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 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 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.
- 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, and the addition of new foods for some participants.
- 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 with no proposal yet released by USDA.

c. Pending Federal Legislation for the 2023-2024 Session

Background: Several bills have been introduced that could have potential impacts on streamlining the WIC program and expanding services to program recipients. The MODERN WIC Act of 2023 (S. 984 and H.R. 2424) and The WIC Act of 2023 (S. 1604 and H.R. 3364) were introduced in previous sessions, but not adopted. As in the previous session, these bills propose to put into statute program modernizations provided through waivers during the COVID-19 pandemic and

extend services to children until the age of six, respectively. Neither made it out of Committee assignments.

Newly introduced legislation, the Extending WIC for New Moms Act (S. 1593) would extend the certification period for postpartum participants to 24 months instead of 12. This bill was referred to Senate Agriculture, Nutrition, and Forestry in May 2023. Also, the Improving Newborn Formula Access for a Nutritious Tomorrow Act of 2023 known as the INFANT Act of 2023 (H.R. 3540). This bill would allow CDPH/WIC to select and use a primary and secondary manufacturer for infant formula contracts. This bill was referred to the House Education and the Workforce Committee in May 2023.

Description of Change:

- Expanding appointments to be completed through phone or other 2-way interactive communications as was permitted during the pandemic.
- Extending the time requirement for collecting anthropometrics and nutrition assessment data.
- Allowing for remote benefit issuance.
- Expanding certifications for children to age six years old.
- Expanding certifications for postpartum participants to 24 months.
- Allowing infant formula contracts to include a secondary manufacturer.

Discretionary: Mixed – will depend on whether legislative provisions are permissive or mandatory once adopted.

Reason for Adjustment/ Change:

- CDPH/WIC would be required to implement mandatory requirements if proposed legislation is passed.

Fiscal Impact (Range) and Fund Source(s): Fiscal impact is unknown and will be based on when or if the specific pieces of legislation are adopted by Congress.

d. 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.

In March 2023, the President proposed \$6.3 billion for the WIC Program, to remain available through September 30, 2024. In June 2023, the Senate Appropriations Committee also released a proposal to fund WIC at the same funding level as the President's proposal.

The House Appropriations Committee recommended \$5.815 billion in WIC funding in June 2023, a reduction of \$185 million below FFY 2023 national funding levels. This budget proposal has since been pulled citing lack of support.

No national-level budget was appropriated prior to the beginning of FFY 2024 and in late September 2023 and November 2023, two separate continuing resolutions (CRs) were enacted to temporarily fund WIC at FFY 2023 levels. A federal budget or CR must be passed by January 19, 2024, for further funding to be made available to states. Each State WIC Program must assess this fiscal situation to determine when and if they need to adjust program services.

Description of Change: Based on the budget proposals for FFY 2024, there will be no impact to Food or NSA grant revenue from FFY 2023 funding levels.

Discretionary: No. The Appropriation Committees and members of Congress decide the funding levels 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 WIC Nutrition Services and Administration (NSA) funding levels.
- The President and Senate budget proposals provide funding levels for WIC for FFY 2024 equivalent to FFY 2023. The most recent House budget proposal has since been pulled from consideration due to lack of support.

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 in the final appropriation for FFY 2024. The impacted Fund Source is the Federal Trust Fund (0890).

2. New Assumptions/Premises

a. Federal Fiscal Year (FFY) 2024 and 2025 Fruit and Vegetable Inflationary Increase

Background: The Consolidated Appropriations Act, 2023 included an extension of the increased fruits and vegetables benefit to September 30, 2023. Benefit levels for FFY 2023 were authorized at an amount recommended by the National Academies of Science, Engineering and Medicine and adjusted for inflation. The FFY 2023 amounts were: \$25 per month for children, \$44 per month for pregnant and postpartum participants, and \$49 per month for breastfeeding participants.

The USDA provided state agencies with the anticipated FFY 2024 inflation adjusted amounts, contingent on a FFY 2024 continuing resolution or annual appropriation that continues the increased fruits and vegetables benefit. The monthly fruits and vegetables benefit amounts will increase in FFY 2024 to \$26 for children, \$47 for pregnant and postpartum participants, and \$52 for breastfeeding participants.

The Continuing Appropriations Act, 2024 and Other Extensions Act (P.L. 118-2) effective October 1 and November 14, 2023, based on USDA guidance, continues the increased fruit and vegetable benefit at the inflated amounts through January 19, 2024. CDPH/WIC is committed to providing consistency in benefit levels whenever possible and allowed in regulations, even during the uncertainty of federal appropriations.

Description of Change: The average additional amount spent on fruits and vegetables per participant for the months of October 2022 through June 2023 is \$11.24. These costs are incorporated into the baseline projections for FY 2024 projections. The potential increase of \$1-3/per participant based on category to the fruits and vegetables benefit will be accounted for separately in the projections.

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 2023 was sufficient to cover the increased fruit and vegetable expenditures.
- The President and Senate proposed federal budget funding for FFY 2024 are sufficient to cover the increased fruit and vegetable expenditures.

Fiscal Impact (Range) and Fund Source(s): The fruit and vegetable increase authorized from October 2022 through June 2023 totaled \$97.2 million in additional food costs, or \$11.24 per participant. The projected impact for California food costs for July through September 2023 is \$32.5 million. These additional food costs from FY 2022-23 and 2023-24 will be incorporated into the baseline projections for FY 2024-25 projections. The projected impact of the inflationary increase to the fruits and vegetables benefit is \$11.2 million in 2023-24 and \$15.5 million in 2024-25. There is sufficient Food grant revenue authorized under the final and proposed federal budgets to support this increase. The impacted Fund Source is the Federal Trust Fund (Fund 0890).

b. WIC Modernization Initiatives and Funding

Background: The United States Department of Agriculture (USDA) is investing in the WIC Program to reach more eligible families, keep families in WIC until they are no longer eligible, encourage families to redeem more of their food benefits, and advance equity.

The WIC Modernization Initiative includes four components:

- improving the shopping experience, including online shopping, access to farmers' markets, and expanding the variety and choice of WIC foods;
- modernizing technology and service delivery, including streamlining enrollment in WIC and leveraging technology to make applying for the program, scheduling appointments, receiving nutrition services, and interacting with WIC between appointments easier;
- investing in the WIC workforce; and
- prioritizing outreach.

The American Rescue Plan Act of 2021 (P.L. 117-2, ARPA) provided USDA with \$390 million to carry out outreach, innovation, and program modernization efforts to increase participation and redemption of benefits in the WIC Program. In late May 2023, USDA provided CDPH/WIC \$5.7 million in non-competitive funding as part of the FY 2023 WIC Modernization Grant. The period of performance for this grant is from May 24, 2023, through September 30, 2027. The WIC Modernization Grant, along with the existing WIC Nutrition Services and Administration (NSA) Grant, will be used to support CDPH/WIC's objectives under the WIC Modernization Initiative.

CDPH/WIC plans to improve the shopping experience by implementing online shopping, simplifying the use of WIC benefits at farmers' markets, and expanding WIC food options. CDPH/WIC will align with the federal regulatory changes that are in process at USDA regarding these shopping changes. To support the timely implementation of these changes for California WIC families, CDPH/WIC will be proposing statutory changes to provide a regulatory exemption for developing online shopping and corresponding vendor management rules. In addition, CDPH/WIC plans to enhance WIC services for participants by leveraging modern technologies for enrollment, nutrition services, communication with families, and workforce development and training. In addition, CDPH/WIC will align with the federal regulatory changes that are in process at USDA regarding service delivery.

Through a 2024-25 Budget Change Proposal (BCP), CDPH/WIC is requesting 18 positions in 2024-25 and 9 additional positions in 2025-26 for a total of 27 permanent positions funded in part by the WIC Modernization Grant and the remainder by WIC Nutrition Services and Administration (NSA) funds to implement these strategies for improving program services and shopping.

Description of Change: CDPH/WIC will implement changes as outlined in USDA's WIC Modernization Initiative and use funds from the Modernization ARPA Grant and WIC NSA Grant to support the changes. CDPH/WIC is planning to improve the overall WIC shopping experience, including implementing online shopping, expanding access at farmers' markets, expanding the variety and choice of

WIC foods. In addition, CDPH/WIC will implement changes to modernize enrollment, nutrition services, communication with families, and workforce training.

Discretionary: Yes

Reason for the Adjustment/Change:

- USDA's objective for the funding is to modernize WIC to meet the needs for a 21st century program and better serve WIC families.
- Funding has been allocated to California to implement initiatives to modernize the program to increase participation and increase options for redemption of WIC benefits.
- CDPH/WIC has requested 18 positions in 2024-25 and 9 additional positions in 2025-26 for a total of 27 permanent positions through FY 2024-25 BCP for ongoing positions to support program modernization efforts.
- Goals for California are to:
 - Implement online shopping, expand access to farmers' markets, expand variety and choice of WIC foods;
 - Modernize and advance enrollment, nutrition and breastfeeding services, and education to better serve WIC families;
 - Support local agencies to provide modernized services to families.

Fiscal Impact (Range) and Fund Source(s): The projected impact of the BCP is an increase to state operations budget authority for new position in the amount of \$3 million in FY 2024-25 and \$4.4 million in FY 2025-26 and annually. A portion of the \$5.7 million in new WIC Modernization Grant funding will temporarily offset some of those increased costs. The remaining cost will be supported by existing WIC NSA grant funds. The impacted Fund Source is the Federal Trust Fund (0890).

3. Existing (Significantly Changed) Assumptions/Premises

a. Infant Formula Shortage and Rebate Revenue

Background: From February through June 2022, an Abbott Nutritional production plant was closed by the FDA causing infant formula shortages impacting California WIC families. CDPH/WIC implemented emergency measures authorized by USDA FNS to allow purchase of non-contract infant formulas in stores which resulted in a decrease in rebate-eligible infant formula.

Formula shortages continued through the end of calendar year 2022 and into 2023. In the 2023-24 May Revise projections, CDPH/WIC excluded redemption data for rebated items purchased per infant participant for the months between July 2022 and February 2023 as they were determined to be unreliable for projecting future rebate item purchasing patterns and rebate revenue.

The USDA FNS flexibilities for non-contract formula ended on February 28, 2023. Other flexibilities for larger container sizes and some specialty formulas ended on June 30, 2023. In addition to the waivers ending, CDPH/WIC completed its transition of the milk-based infant formula rebate contract to Abbott Laboratories. Given the end of formula flexibilities, beginning March 2023, rebate revenue has stabilized and become reliable for projecting future rebate item purchasing patterns and rebate revenue.

Description of Change: The rebate revenue reported for the redemption months beginning March 2023 will be used for the calculation of average cans of infant formula purchased by participants for the purpose of projecting future rebate revenue.

Discretionary: Yes

Reason for the Adjustment/Change:

- Infant formula shortages are no longer reported as an issue for California WIC families.
- Emergency measures authorizing non-contract formulas have ended.
- CDPH/WIC has fully transitioned to Abbott Laboratories as the milk-based formula rebate contractor.
- Direct purchasing and distribution of infant formula in large quantities at local agencies has ended.

Fiscal Impact (Range) and Fund Source(s): The projected impact of using data beginning March 2023 is an annual decrease in rebate revenue and expenditures of \$21.2 million in Fiscal Year (FY) 2023-24 and ongoing. This reflects both a decrease in formula purchased per infant participant following the formula shortage and reduced rebate revenue per can following the transition to Abbott Laboratories as the milk-based rebate contractor. The impacted fund source is the Manufacturer's Rebate Fund (3023).

4. Unchanged Assumptions/Premises

There are no Unchanged Assumptions/Premises.

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, 2021, by USDA FNS released in November 2023), the WIC program serves 66.5 percent of eligible Californians, the second highest coverage of eligible persons of all state WIC programs and third nationally behind Puerto Rico and Vermont, while the national average is 51.2 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.

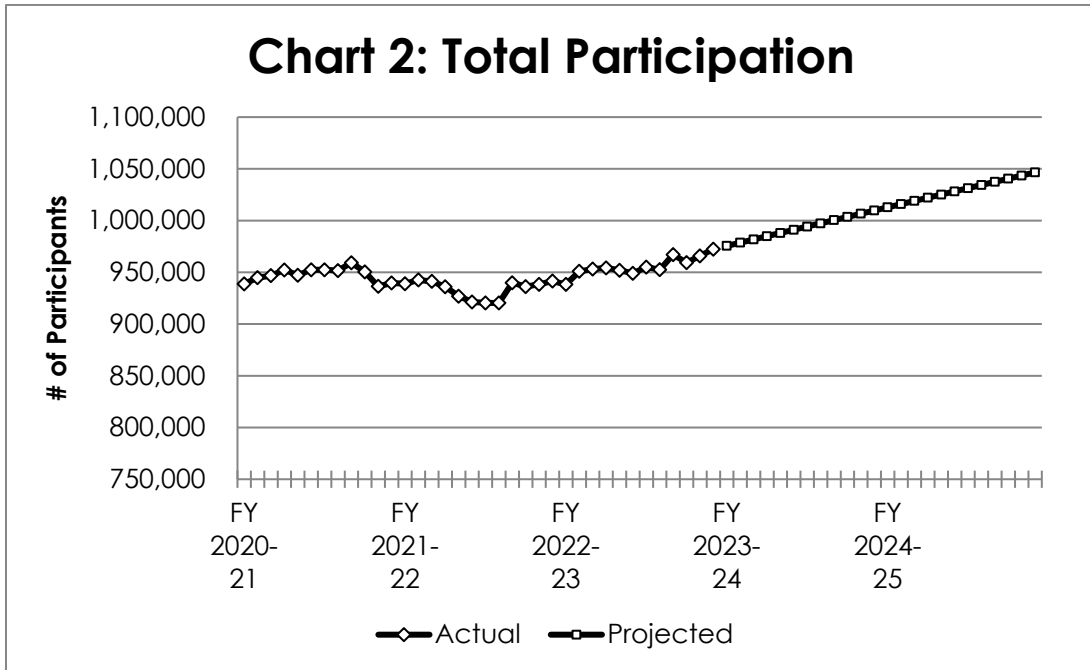
The second parameter is the upper limit of possible participants in California, given WIC age and income eligibility requirements. CDPH/WIC estimated this upper limit using both administrative data sources and WIC eligibility estimates published by USDA FNS. Counts of all WIC-certified individuals were 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 2023-24 is based upon 12 months of projected data summed across all categories. For 2022-23, monthly average participation was 955,836. WIC estimates average monthly participation for 2023-24 will increase to 992,640, an increase of 3.85 percent, compared to an increase of 2.38 percent in 2022-23.

Total average monthly participation for 2024-25 is based upon the remaining projected months from the growth model initialized with June 2023 as the most recent month of actuals. WIC estimates average monthly participation will increase to 1,029,734, an increase of 3.74 percent, compared to the 3.85 percent increase projected for 2023-24.

The participation graph below and the individual participant category charts located in Appendix B show the participation levels through 2024-25, which includes updated actual participation numbers through June 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 April 2023 with projections through the end of 2024-25. The updated projected CPI rate in 2023-24 is 2.55 percent, and for 2024-25 is 1.40 percent. Historical expenditures and updated average per participant food costs for 2022-23 through June 2023 were used to update projections for 2023-24 and to build the new projection for 2024-25 food costs. Below is a chart summarizing total actual food cost expenditures for 2022-23 and food cost projections for the current and budget year.

TABLE 9: FOOD EXPENDITURES

| Factor | 2022-23 Actuals | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|--------------------------------|-----------------|------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Average Monthly Participation* | 955,836 | 991,619 | 992,640 | 1,021 | 0.10% | 1,029,734 | 38,115 | 3.84% |
| Average Cost per Participant** | \$79.44 | \$81.91 | \$81.47 | \$(0.44) | -0.54% | \$82.61 | \$0.70 | 0.85% |
| Annual Expenditures*** | \$911,186,775 | \$974,682,475 | \$970,444,488 | (4,237,987) | -0.43% | \$1,020,795,909 | \$46,113,434 | 4.73% |

* SFY 2023-24 Average Participation includes projected participation for July 2023 through June 2024.

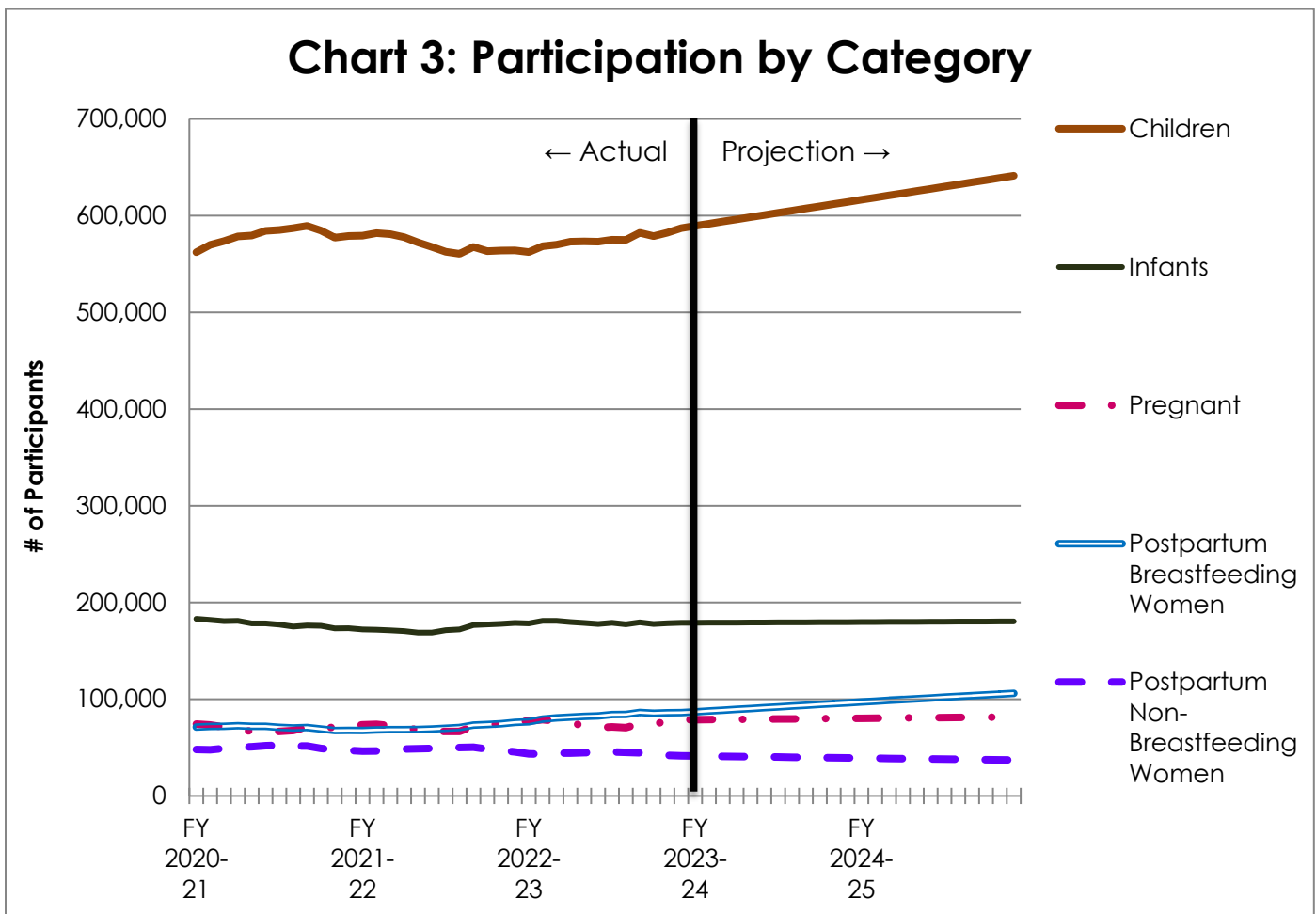
**SFY 2023-24 and SFY 2024-25 Average Cost per Participant calculation does not include Fruit and Vegetable inflationary increase.

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

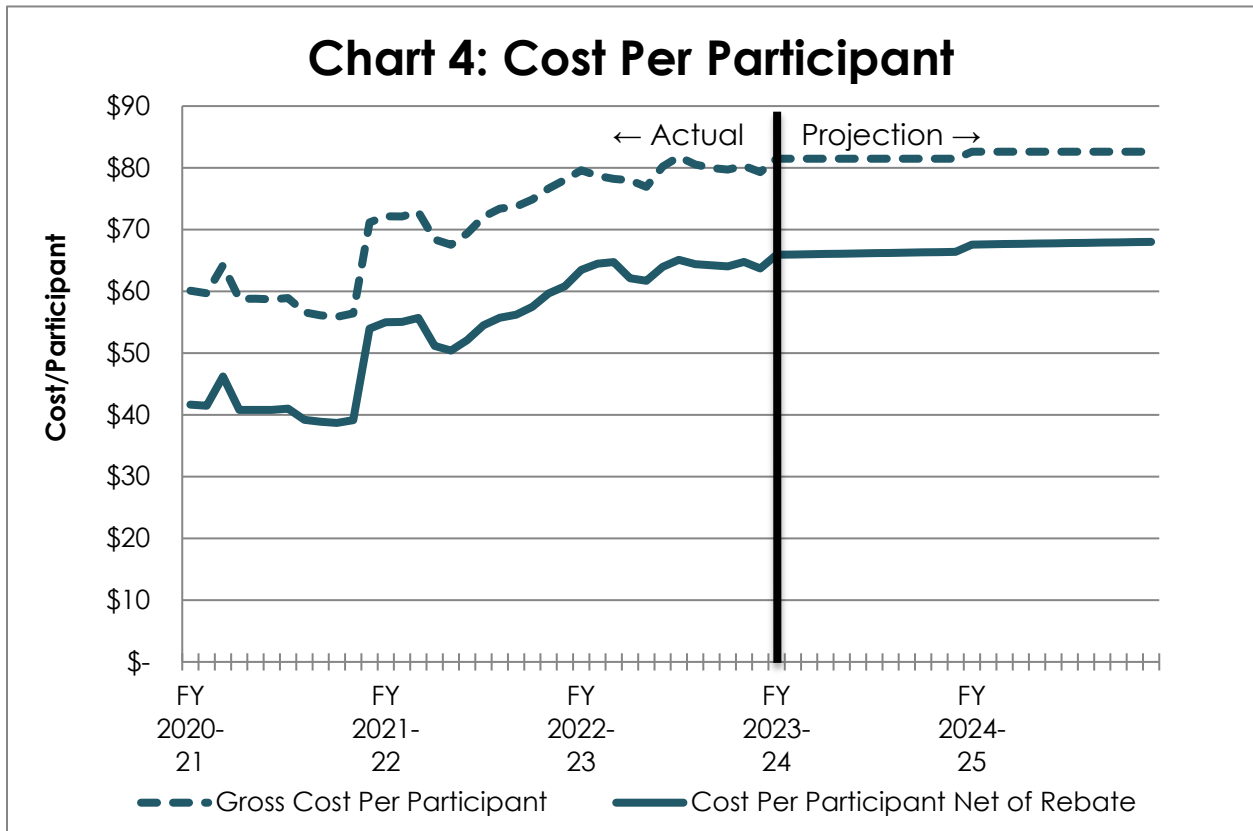
APPENDIX B

Participant and Food Cost Projections by Category

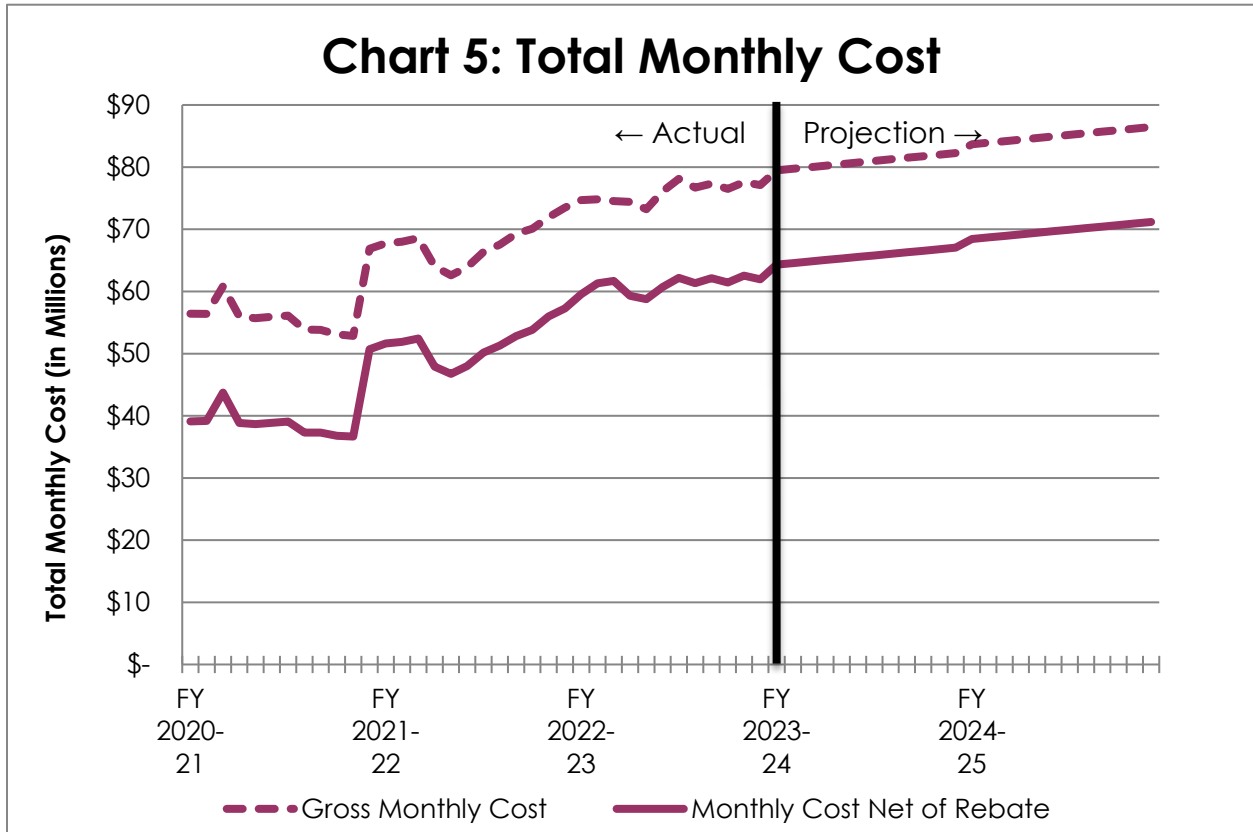
The figure below illustrates actual and projected participation trends since 2020-21. As mentioned previously, the Children participant category is the largest due to their longer period of eligibility. This population also experienced considerable growth around the time of the COVID-19 statewide shutdown because 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)

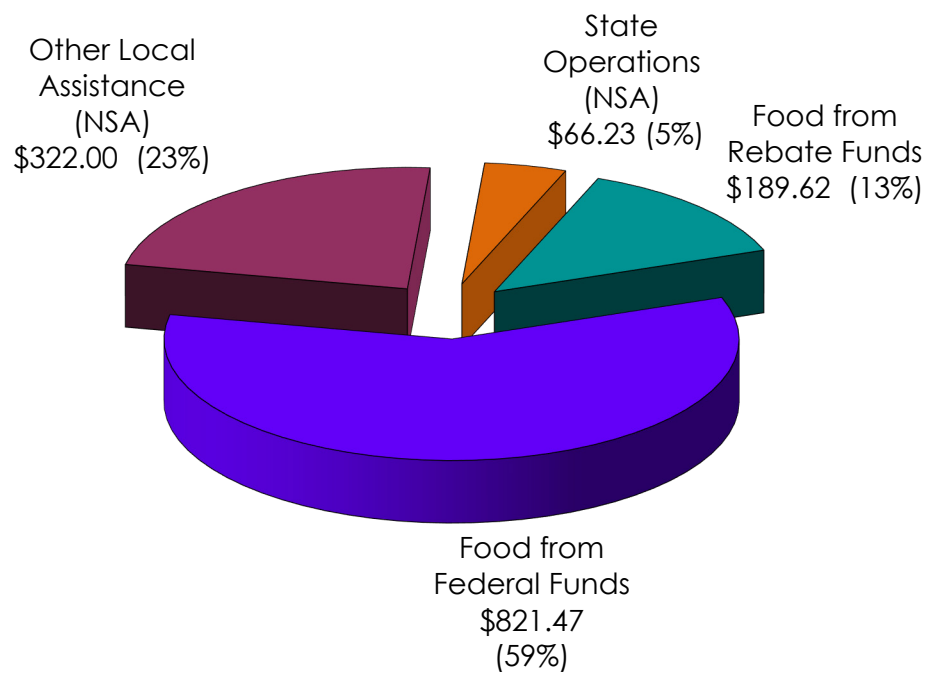
TABLE 10: CALIFORNIA WIC PROGRAM EXPENDITURES

PY 2022-23 (Actual) figures pending submittal of financial statements.

| Funding Source | PY 2022-23 (Actual) | CY 2023-24 (Estimated) | BY 2024-25 (Proposed) |
|--|------------------------------------|---------------------------------------|--------------------------------------|
| LOCAL ASSISTANCE | | | |
| <i>0890 Federal Grant for WIC</i> | \$1,041,867,010 | \$1,143,465,000 | \$1,199,006,000 |
| TOTAL FEDERAL TRUST FUND | \$1,041,867,010 | \$1,143,465,000 | \$1,199,006,000 |
| <i>3023 WIC Manufacturer Rebate Fund</i> | \$194,081,000 | \$189,616,000 | \$190,373,000 |
| TOTAL LOCAL ASSISTANCE | \$1,235,948,010 | \$1,333,081,000 | \$1,389,379,000 |
| STATE OPERATIONS | | | |
| <i>0890 Federal Grant for State Operations</i> | \$48,696,651 | \$66,226,000 | \$69,483,000 |
| GRAND TOTAL WIC PROGRAM | \$1,284,644,662 | \$1,399,307,000 | \$1,458,862,000 |

**Chart 6: WIC EXPENDITURES
FY 2023-24
(in Millions)**

- Food from Federal Funds
- Other Local Assistance from Federal NSA
- State Operations from Federal NSA
- Food from Rebate Funds



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 \$1.237 billion, which is an increase of \$63.8 million or 5.44 percent from the 2023 Budget Act amount of \$1.173 billion. The estimate is based on the appropriated federal budget for federal fiscal year 2023.

For 2024-25, the projected federal revenue will total \$1.294 billion, which is an increase of \$120.9 million or 10.31 percent from the 2023 Budget Act amount of \$1.173 billion. This projection is based on California's base grant allocation and projected reallocations for Food and NSA, and WIC contingency and SNAP transfer funds for FFY 2024.

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

| Revenue Source | 2022-23 Actual | Current Year 2023 Budget Act | Current Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act | Budget Year November Estimate | Change from 2023 Budget Act | % Change from 2023 Budget Act |
|-----------------------------|----------------------|------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Federal Food Grant | 765,157,000 | 786,609,000 | 850,438,000 | 63,829,000 | 8.11% | 904,099,000 | 117,490,000 | 14.94% |
| Rebate Food Funds | 194,081,000 | 217,313,000 | 189,616,000 | (27,697,000) | -12.75% | 190,373,000 | (26,940,000) | -12.40% |
| Total Funds for Food | 959,238,000 | 1,003,922,000 | 1,040,054,000 | 36,132,000 | 3.60% | 1,094,472,000 | 90,550,000 | 9.20% |
| Federal NSA Grant | 385,914,000 | 386,475,000 | 388,226,000* | 1,751,000 | 0.45% | 391,519,000* | 5,044,000 | 1.31% |
| Total Federal Funds | 1,151,071,000 | 1,173,084,000 | 1,238,664,000 | 65,580,000 | 5.59% | 1,295,618,000 | 122,534,000 | 10.45% |

* Food and NSA revenue for CY and BY are estimated based on national-level projections and given ongoing budget negotiations at the federal level, funding may be insufficient if WIC is not funded at the appropriate level by Congress. In prior years including 2004, 2008, and 2012, and most recently in 2023 (CY), CDPH/WIC received WIC contingency and/or SNAP transfer funds to meet Food and NSA expenditures needs.

1. Revenue Estimate Methodology Federal Funds: Fund 0890

The annual federal revenue for WIC depends on 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 19.7 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, and
- NSA funds that reimburse WIC Local Agencies contracted for direct services provided to WIC participants and to support state operations.

Based on national-level projections for Food and NSA expenditures and the President and Senate's proposal for WIC funding for FFY 2024, it is anticipated that there will be insufficient funding. A shortfall of \$1.121 billion nationally for the WIC program is projected for FFY 2024. The increased need for revenue in FFY 2024 is due to increases in food costs from increased participation, inflation, and the fruit and vegetable increase having an inflationary adjustment beginning on October 1, 2023. A contingency fund for WIC was established at the federal level in FFY 2003 to support participation, should costs or participation exceed budget estimates, in the amount of \$125 million. Supplemental Nutrition Assistance Program (SNAP, or CALFRESH in California) transfer funds are federally unobligated funds from SNAP that the USDA Secretary authorizes for use by the WIC Program. California received WIC Contingency and SNAP transfer funds for Food in 2004, 2008, 2012, and 2023 due to insufficient appropriation to cover food costs. CDPH/WIC anticipates that if a sufficient appropriation will not be approved for FFY 2024, California will receive WIC contingency and/or SNAP transfer funds to meet the needs for Food and NSA expenditures.

2. Federal Food Grant

Nationally, approximately 67.86 percent of the federal fiscal year 2023 appropriation is allocated for food and California receives approximately 14.8 percent of that appropriation. The food allocation for federal fiscal year 2024 will continue at 67.86 percent. These amounts are based on the final funding formula allocations, which consider the two increases in food costs due to increased participation, inflation, and continuation of the fruits and vegetables increase and an inflationary adjustment 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 2023 | \$6,000,000,000 | \$157,654,000 | 67.86% | 15.49% | \$580,978,951 |
| FFY 2024 | \$6,300,000,000 | \$157,654,000 | 67.86% | 15.49% | \$645,621,558 |

* 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; however, it is projected that remaining unspent funds from FFY 2023 for reallocation in FFY 2024 will be insufficient nationally. In addition, states are eligible to receive WIC contingency and SNAP transfer funds, when authorized by the USDA Secretary, if the annual federal appropriation and supplemental reallocations are insufficient.

In 2023-24, Food Grant revenue is expected to total \$850.4 million, which is an increase of \$63.8 million or 8.11 percent from the 2023 Budget Act. The increase is driven by increases in food funding from USDA to support higher costs from increased participation, inflation, and the continuation of funding for the fruits and vegetables benefit increase and an inflationary adjustment FFY 2023.

For 2024-25, Food Grant revenue is expected to total \$904.1 million, which is an increase of \$117.5 million or 14.94 percent from the 2023 Budget Act, due to anticipated need for revenue caused by higher in food costs from increased participation, inflation, and the continuation of funding for the fruits and vegetables benefit increase and an inflationary adjustment in FFY 2023.

TABLE 13: WIC RESOURCES FOR FOOD FOR SFY 2023-24

| Resource | FFY 2023 | FFY 2024 | Prorate to SFY 2023-24 |
|--------------------|---------------|---------------|------------------------|
| Base Appropriation | \$580,978,951 | \$645,621,558 | \$629,460,906 |
| Reallocations | \$197,165,784 | \$203,216,025 | \$201,703,465 |
| SNAP Transfer | \$77,094,715 | \$0 | \$19,273,679 |
| Total | \$855,239,450 | \$848,837,583 | \$850,438,050 |

TABLE 14: WIC RESOURCES FOR FOOD FOR SFY 2024-25

| Resource | FFY 2024 | FFY 2025 | Prorate to SFY 2024-25 |
|--------------------|---------------|---------------|------------------------|
| Base Appropriation | \$645,621,558 | \$645,621,558 | \$645,621,558 |
| Reallocations | \$203,216,025 | \$276,898,381 | \$258,477,792 |
| SNAP Transfer | \$0 | \$0 | \$0 |
| Total | \$848,837,583 | \$922,519,939 | \$904,099,350 |

3. NSA Grant

Approximately 32.14 percent of the national WIC appropriation for federal fiscal year 2023 was allocated for NSA, and California received approximately 14.8 percent of that allocation. The NSA allocation for federal fiscal year 2024 will continue at 32.14 percent; California's share will also continue at 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 2023 | \$6,000,000,000 | \$157,654,000 | 32.14% | 14.84% | \$263,580,857 |
| FFY 2024 | \$6,300,000,000 | \$157,654,000 | 32.14% | 14.84% | \$292,908,174 |

* 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 2023-24, NSA Grant revenue is expected to total \$388.2 million, which is a slight increase of \$1.8 million or 0.45% more than the 2023 Budget Act amount of \$386.5 million due to increased reallocation requests to support increased expenditures.

In 2024-25, NSA Grant revenue is expected to total at \$391.5 million, which is an increase of \$5.0 million or 1.31 percent more than the 2023 Budget Act amount of \$386.5 million. This increase is due to increased reallocation requests to support increased expenditures.

TABLE 16: WIC RESOURCES FOR NSA FOR SFY 2023-24

| Resource | FFY 2023 | FFY 2024 | Prorate to SFY 2023-24 |
|-------------------------------|----------------------|----------------------|-------------------------------|
| Base Appropriation, NSA | \$263,580,857 | \$292,908,174 | \$285,576,345 |
| Farmers' Market and Nutrition | \$3,257,739 | \$3,257,739 | \$3,257,739 |
| Breastfeeding Peer Counseling | \$12,475,147 | \$12,475,147 | \$12,475,147 |
| Reallocations | \$74,643,600 | \$56,631,385 | \$61,134,439 |
| Spend Forward | \$31,960,826 | \$22,691,753 | \$25,009,021 |
| SNAP Transfer | \$232,174 | \$0 | \$58,044 |
| WIC Modernization | \$0 | \$953,688 | \$715,266 |
| Total | \$386,150,343 | \$388,917,886 | \$388,226,000 |

* 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 2024-25

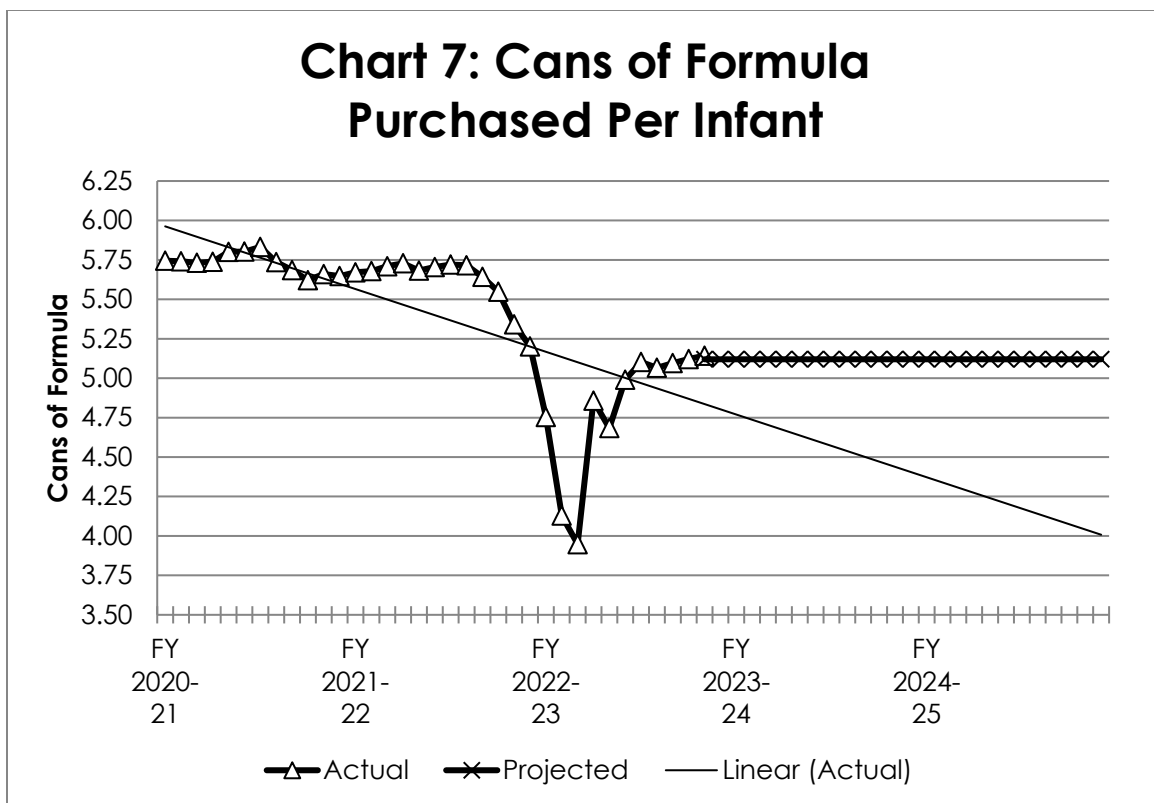
| Resource | FFY 2024 | FFY 2025 | Prorate to SFY 2024-25 |
|-------------------------------|----------------------|----------------------|-------------------------------|
| Base Appropriation, NSA | \$292,908,174 | \$292,908,174 | \$292,908,174 |
| Farmers' Market and Nutrition | \$3,257,739 | \$3,257,739 | \$3,257,739 |
| Breastfeeding Peer Counseling | \$12,475,147 | \$12,475,147 | \$12,475,147 |
| Reallocations | \$56,631,385 | \$70,357,107 | \$66,925,677 |
| Spend Forward | \$22,691,753 | \$11,480,497 | \$14,283,311 |
| SNAP Transfer | \$0 | \$0 | \$0 |
| WIC Modernization | \$953,688 | \$1,907,375 | \$1,668,953 |
| Total | \$388,917,886 | \$392,386,039 | \$391,519,000 |

* 5 percent 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 (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 \$189.6 million, a decrease of \$27.7 million or 12.75 percent when compared to the 2023 Budget Act amount of \$217.3 million. The decrease in rebate revenue is driven by a reduction in formula purchased per infant participant following the formula shortage and reduced rebate revenue per can following the transition to Abbott Laboratories as the milk-based rebate contractor.

In 2024-25, WIC estimates infant formula WIC Manufacturer Rebate Fund revenues will total \$190.4 million, which is a decrease of \$26.9 million or 12.4 percent when compared to the 2023 Budget Act amount of \$217.3 million. The decrease is driven by a reduction in formula purchased per infant participant following the formula shortage and reduced rebate revenue per can following the transition to Abbott Laboratories as the milk-based rebate contractor. 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 5.12 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. Following the end of formula flexibilities, beginning March 2023, rebate revenue has stabilized and has become reliable for projecting future rebate revenue. Rebate revenue reported beginning in March 2023 is used for the calculation of average cans of formula purchased per infant participant.