Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Funding Formula Evolution

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The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) funding formulas have evolved to deal with emerging issues and emerging philosophies of funding. The components of the funding formulas depend considerably upon the changing philosophies of Congress, rule makers, and the public. In the early years of WIC, the reigning philosophy was that this extremely important and effective program should grow rapidly to reach a large number of eligible people. In those years, the funding formulas primarily reflected the value of rapid growth in the public interest of serving as many eligible, needy women, infants, and children as possible. Equalizing resources among states was a secondary concern. As WIC has become larger and established, participation growth has flattened. WIC now serves a significant proportion of eligible people. In the stability years since 1997, Food and Nutrition Service (FNS) funding formula philosophy has shifted more towards equity. This shift is evident in recent rule making.

Key words: Nutrition Services Administration (NSA) grant; food grant; fair share; Special Supplemental Nutrition Program for Women, Infants, and Children; WIC.

1. Introduction to the Women, Infants, and Children (WIC) Program

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) was established as a pilot program in 1972 and made permanent in 1974. WIC is administered at the federal level by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA). WIC provides food, nutrition counseling, and referrals to health services to eligible pregnant, breastfeeding, and nonbreastfeeding postpartum women, infants, and children. To be income eligible, an individual must live in a household with an income at or below 185 per cent the federal poverty line or participate in a program that confers adjunctive income eligibility, such as Medicaid. To be fully eligible one must also exhibit nutritional risk.

Studies funded by the U.S. Department of Agriculture suggest that the WIC program plays an important role in reducing adverse birth outcomes and associated costs. A series of reports found that Medicaid eligible pregnant women in five states, who participated in WIC during their pregnancies, had significantly longer pregnancies, fewer premature births, a lower incidence of moderately low and very low birth weight, fewer infant deaths,

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and a greater likelihood of receiving prenatal care relative to similarly low-income women who did not participate in WIC (Devaney and Schirm 1992; Devaney 1992; Devaney et al. 1992; Devaney et al. 1990). Associated with these improvements in birth outcomes were significant savings in health care costs. Prenatal participation in WIC was associated with Medicaid savings of 1.77 USD to 3.13 USD in the first 60 days postpartum for each dollar spent on WIC. The U.S. General Accounting Office (GAO) synthesized the results of these and other non-USDA studies, concluding that WIC may reduce federal, state, local, and private payer health care expenditures for WIC prenatal participants by as much as 1.036 billion USD over an 18-year period beginning from birth, or 3.50 USD for every federal dollar spent on WIC (U.S. General Accounting Office 1992).

The WIC program provides participants with a supplemental food package high in nutrients that are critical to periods of rapid growth and development such as pregnancy and early childhood, and which are also important during postpartum recovery and lactation. Several studies have looked at dietary intake in children. The National WIC Evaluation (Rush 1988) found that participation in WIC had a positive effect on children’s intake of iron, vitamin A, vitamin C, thiamin, niacin, and vitamin B_6, without an increase in food energy intake, indicating an increase in the nutrient density of the diet. In WIC and the Nutrient Intake of Children Oliveira and Gundersen 2000 report that WIC has a significant positive effect on children’s intake of iron, folate, and vitamin B_6. Other studies have documented reductions in iron deficiency anemia associated with WIC, and an increase in fruit and vegetable consumption among WIC participants who received Farmers’ Market coupons through WIC. In addition, studies have shown that when compared to nonparticipating eligible people, WIC children had higher weights and larger head circumferences; had higher hematocrit values; were more likely to have a regular source of health care, and to be immunized; and performed better on measures of cognitive development.

FNS provides two main grants, the food grant and the Nutrition Services Administration (NSA) grant, to states to operate WIC. The food grant is used to purchase supplemental foods and the NSA grant is used to provide health care referrals and nutrition services such as nutrition education and breastfeeding promotion in addition to general program administration. Smaller grants to states include grants for development of management information systems, electronic benefits transfer systems, and special projects of regional and national significance. This article focuses exclusively on the main grants to states – food and NSA.

2. Funding Formula Background

The main grants to states are calculated by funding formulas that fulfill the requirements of the authorizing legislation and regulations. Aspects of the funding formula for grants to states which are left to the discretion of the Secretary of Agriculture in authorizing legislation are developed and codified through the regulatory process.

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3 7CFR Part 246.16.
2.1. Laws governing the WIC funding formulas

Section 17(c) of the Child Nutrition Act of 1966 requires the WIC program to provide grants-in-aid to states desiring to carry out the WIC program. Section 17(g) generally prescribes:

- when appropriations should be made;
- the schedule of grant allocations;
- provisions for the recovery and reallocation of unused grant funds; and
- allotments as a proportion of the total appropriation or expenditure targets for activities such as migrant services, program evaluation,\(^4\) pilot projects, and technical assistance.

Section 17(h) requires the Secretary to establish a formula for the provision of NSA grants and that food grants be made from remaining funds. This section provides the formula for the legislated national guaranteed Administrative Grant per Participant (AGP). The AGP determines the proportion of total funds, which must be provided for NSA. This section of the law also gives general parameters for the NSA funding formula, which allocates total NSA funds among state agencies. The law states that the formula shall be designed to take into account:

- the varying needs of each state;
- the number of individuals participating in each state; and,
- other factors which serve to promote the proper, efficient, and effective administration of the program under the section.

Subsection (h) also requires the formula to provide for a minimum grant amount for state agencies and allows the formula to provide funds to help defray reasonable anticipated expenses associated with innovations in cost containment or associated with procedures that tend to enhance competition among manufacturers. In addition to funding formula provisions, this section also indicates how NSA funds may be used.

Section 17(i) requires the Secretary to establish a formula for the calculation of food grants as well as parameters for spend forward and spend back.\(^5\) The law does not provide any specific parameters for the food formula other than how Indians residing in states with WIC state agencies run by Indian tribal organizations should be counted.

2.2. Current regulations governing WIC funding formulas

Current regulations delineate fair share targets for both food and NSA grants and a methodology for allotting funds with respect to those targets. However, both formulas also place first priority on maintaining prior year funding levels.

\(^4\) At times, appropriations language may override authorizing language. Currently, by appropriations law, FNS is prohibited from using any WIC program funds for studies and evaluations.

\(^5\) In general, one per cent of food funds and one per cent of NSA funds may be “spend back” to offset expenditures incurred in the prior year. NSA funds may be “spend forward” up to an amount equal to one per cent of the total grant for nutrition services administration uses only. With the Secretary’s approval, WIC State agencies may also spend forward additional NSA funds, up to an amount equal to 1/2 of one per cent of their total grant for the development of management information systems, including electronic benefit transfer systems. No food funds may be spent forward.
2.2.1. NSA funds
Each state agency’s fair share target funding level for NSA is based on its monthly average projected participation level times the AGP times 12. The fair share target funding levels are adjusted for higher costs in small state agencies and to account for differential salary levels relative to the national average salary level. The first priority of the formula is to meet each state’s prior year formula calculated NSA grant, known as the base funding level, before meeting the fair share target. In the event that funds are not available to meet the base funding level, each state receives a pro-rata share of its NSA base grant reduced by the proportion of the shortfall of the total NSA grant. Any funds remaining after the base funding level is met are allocated to bring each state closer to its fair share grant. Finally, each state’s final NSA grant is reduced by up to 10 per cent to create a regional pool of “operational adjustment funds” to be distributed by the FNS regional offices based on national guidelines and regional priorities.

2.2.2. Food funds
A state’s foods grant fair share target equals that state’s proportion of the national total of infants and children who are income eligible times the total food funds available. However, the first priority of the food funding formula is to meet each state’s prior year food grant before providing funding to compensate for inflation and under-fair share status. Once the prior year grant is met, 80 per cent of the remaining funds are made available to all states to fund an increase to account for food inflation and 20 per cent are distributed to under-fair-share states to bring them closer to their fair share target. Once the inflation adjustment is met, any remaining funds go toward meeting fair share targets.

3. Process of Funding Formula Change
The WIC funding formulas, like any other aspect of the WIC program, are subject to both internal and external pressures. External pressure to modify the formulas comes from a variety of sources such as Congress, Office of Management and Budget (OMB), advocates and stakeholders such as food assistance advocates and the National WIC Association (NWA), known at the time as the National Association of WIC Directors (NAWD).

Often, program trends and philosophies that no longer fit into existing funding systems bring about proposals for change. The WIC program and the characteristics of those participating have altered dramatically in the past fifteen years. Echoing a 1976 court order requiring rapid expenditures of WIC funds, the program grew and changed rapidly, enabled by increasing appropriations in the late 1980’s and early 1990’s, and a hugely successful infant formula cost containment program. During those early years, program growth was a priority because there were so many unserved needy eligible women, infants, and children who wanted to participate. In the past five years, growth has flattened as a larger proportion of eligibles are being served, a sign that the WIC program has matured. As the program has matured, priorities have turned from rapid growth to equitable growth across state agencies. Funding formulas have been revised to reflect the changing environment and attitudes. Additionally, proposals for revisions result from discovery

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6 Durham et al. vs Butz, 1976 U.S. District Court of Appeals.
of funding problems as a result of routine observation of trends by staff that work closely with the formulas and outside observers.

Positive change most often results, and the process is most often productive, when internal and external forces and philosophies converge. In general, the process is highly collaborative. FNS works closely with Congress, OMB, NWA, and other advocates to propose and implement changes through legislative or regulatory proposals. The following discussion provides examples of different types of legislative and regulatory amendments to the WIC funding formulas over the years.

4. Legislated Change

Congress may mandate a change through a direct change to the law or through report language requesting FNS to make certain changes through rule making. In either case, changes are codified through the regulatory process. Legislative changes are typically made during the reauthorization of the program. However, occasionally a change will be made as a rider to other laws. Legislative proposals supported by an administration can be officially proposed as part of the appropriations or reauthorization process. However, the process is often less formal, particularly with respect to technical program issues. In such instances, legislative language is regularly developed cooperatively. Congressional staff works with stakeholders, including FNS, USDA, OMB, and public advocates, in the development of legislative changes. The process of enacting legislative proposals, particularly during program reauthorization, can be quite complicated and drawn out. However, in the case of a fairly straightforward rider with little or no opposition, the amendment can be made fairly rapidly. Following is an example of one of these rare straightforward cases.

4.1. Single amendments as riders

The methodology for calculating the AGP was changed through the Agricultural Risk Protection Act of 2000\(^7\) and later codified through rule making.\(^8\) Congress enacted the FNS proposed amendment rapidly because it was simple and widely supported by stakeholders. The proposal came about due to the discovery, through observation of trends over time, of instability in the AGP level that was an artifact of the legislated methodology. Legislation had required that the AGP be calculated by multiplying the actual FY1987 AGP by the change in the State and Local Implicit Price Deflator index (S&LP) between the 12-month period ending June 30, 1986 and the 12-month period ending June 30 of the previous fiscal year. Therefore, each year the AGP was indexed by the entire S&LP series beginning in 1986, rather than by annual inflation from year to year.

Regular revisions in the S&LP index may lead to significant changes in the series over time.\(^9\) Index revisions cause instability in the AGP because, although the S&LP continues to rise from year to year, the AGP has the potential to go down when the historical series

\(^7\) P.L. 106-224, June 20, 2000.

\(^8\) Federal Register: December 13, 2000 (Volume 65, Number 240).

\(^9\) Revisions to the index may occur due to changes in the components of the index or collection of new data concerning state and local expenditures. Prior to the introduction of the new implicit price deflator (chain-type based) in 1995, revisions affecting the index also included changes in the base year. Changes in the base year do not affect chain-type indexes, and so are no longer a problem.
is adjusted downwardly. In turn, when AGP is unstable, administrative grants to states are unstable. For example, benchmark revisions of the S&LP in 1996 led to a downward adjustment of the S&LP series. This adjustment caused a lower inflation over the period from 1987 to fiscal year 1996 than would have been observed if the index had not been revised. This downward adjustment led to a two per cent decline in the AGP from 1996 to 1997. To deal with the problem of instability caused by index revisions, FNS developed proposed legislation requiring that the AGP be determined by inflating the current AGP by the change in the index between June 30 of the previous fiscal year and the year before that.

4.2. Amendments through the reauthorization process

WIC was last reauthorized through the William F. Goodling Child Nutrition Reauthorization Act of 1998. 10 Although the last WIC reauthorization included a number of changes related to funding, none of the changes required modifications of the funding formulas. However, they did affect how much would be available for reallocations and allowed to be spent forward, spent back, or converted from food to nutrition services and administrative funds. The impetus varies for each of the changes. Some were requested by NWA and other advocates, some were supported by FNS, and some were generated by congressional staff. It is impossible to know for sure exactly why Congress ultimately decided on each provision because so many voices influence reauthorization language.

With respect to funding, the William F. Goodling Child Nutrition Reauthorization Act of 1998 provided that:

- State agencies may backspend up to one per cent of current fiscal year NSA funds for prior fiscal year allowable expenses and use them to cover expenditures of either food or NSA.
- State agencies may spend forward NSA funds up to an amount equal to one per cent of their total grant to cover allowable NSA costs incurred in the subsequent fiscal year.
- State agencies may not spend forward food funds.
- WIC state agencies may spend forward additional NSA funding, up to an amount equal to 1/2 of one per cent of their total grant, for the development of management information systems with prior approval from FNS.
- In any fiscal year that a state agency submits a plan to reduce average food costs per participant and to increase participation above the level estimated for the State agency, the state agency may, with the approval of the Secretary, convert food funds to NSA to cover allowable expenditures and to ensure that the state agency maintains the level established for the per participant grant for NSA for that fiscal year.
- The NSA spending standard would be reduced from 15 per cent to ten per cent. A state’s per participant NSA expenditure cannot exceed by more than ten per cent its per participant NSA grant.
- Food funds may be used to purchase or rent breast pumps.
- Ten million dollars or the amount of NSA funds and supplemental food funds for the prior fiscal year that has not been obligated, whichever is less, would be provided

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for multi-purpose grants. In the past, the amount of funding available for multi-purpose grants was based on unspent NSA funds from the prior year. This provision helps to ensure that the full 10 million USD will be available by basing the amount on the total unspent funds.

5. Discretionary Change

Discretionary changes to the funding formula arise from the regulatory process alone. Rule making can be used to temporarily respond to an emergency situation or to develop negotiated rules over a longer process of analysis and discussion with stakeholders.

5.1. Emergency change

During fiscal year 1993, some WIC state agencies were experiencing tremendous growth in caseload. However, the rules at that time limited any state agency to a 15 per cent increase in food funding over the previous fiscal year. Meanwhile, many state agencies eligible for growth funds declined to accept them due to inability to use them effectively. Some state agencies which could put additional funds to effective use were ineligible for additional growth funds because they had hit the 15 per cent cap. Therefore, funds were available but were not allowed to be given to those state agencies most in need, most able to use them, and willing to accept them. The agency responded by issuing an emergency temporary final rule to waive this restriction.11 This rule only covered the remainder of fiscal year 1993. The comment period for this rule was waived under a provision of law allowing waivers in the public interest. The temporary rule not only responded to a dire situation. It also expressed a generally held philosophy that program growth and eliminating constraints to reaching eligible women, infants, and children, were extremely important. Thereafter, this philosophy was further advanced by the proposal of a rule to drop the 15 per cent restriction permanently.12 This rule was subjected to the comment process and was put into effect as a final rule.13

5.2. Negotiated rule making

Negotiated rule making involves a highly collaborative and, at times, lengthy process. An excellent example of this process is the development of the “Food and Nutrition Services Administration Funding Formulas Rule” proposed in 1998 and finalized in 1999.14,15 As stated in the final rule, the rule was promulgated because “as growth has plateaued, FNS believed that it was appropriate to propose changes to both the NSA and food funding formulas to enhance their effectiveness at distributing funds fairly and equitably among WIC state agencies in an environment where appropriations are relatively stable.” During the development of the proposed rule, FNS and the NWA convened a committee to discuss the appropriateness of the current funding formula components and ways in which the allocation formula could be improved. This committee was composed of FNS employees,

11 Federal Register: July 13, 1993 (Volume 58, Number 132).
12 Federal Register: July 30, 1993 (Volume 58, Number 145).
13 Federal Register: October 4, 1993 (Volume 58, Number 190).
14 Federal Register: October 13, 1998 (Volume 63, Number 197).
15 Federal Register: October 21, 1999 (Volume 64, Number 203).
NWA staff, designated state agency employees, and a designated employee of a local municipal government agency.

Although not all parts of this rule were controversial, it involved a highly charged political issue. Therefore, considerable negotiations were necessary. This process featured intensive collaboration with NWA and other interested parties, multiple simulations to demonstrate the effect of proposed solutions, OMB direction and arbitration, and a proposed rule with a longer than usual public comment period.

The controversy pertained to how the food funds remaining after prior year grants were made should be distributed. Prior to this rule, these funds were first used to cover inflation, and then for fair share growth. Earlier in WIC’s history, state agencies which had been able to increase participation and accept additional funds faster than other state agencies received more than their fair share in a given year. As a result, significant inequities in the proportion each state agency received of their “fair share” target were established.\textsuperscript{16} The inequities were perpetuated into following years because the first priority of the funding formulas was to give each state agency a grant equal to its last year’s grant adjusted for inflation. In 1994, a major revision of the funding formula attempted to address this problem by targeting all “growth” funds – those available after meeting prior year grants plus inflation – towards under-fair-share states. The substantial growth in WIC funding during the 1990s allowed substantial funds to be directed to under-fair-share state agencies.

However, in 1998 inequities remained and the program appeared to be moving towards a period of more stable funding levels. There was no increase in appropriations from 1996 to 1997, leaving no funds for fair share growth in 1997. Since funds for fair share growth dried up, the inequities in fair share attainment crystallized. This situation led the funding formula committee to consider changing the rules to guarantee that some of the funds remaining after prior year grants are provided would be available for fair share growth. The proposed rule recommended that remaining funds be divided into separate pots, one for inflation allocations and one for fair share growth. This division of funds is known as the inflation/fair share “split.” During the period of discussion with the funding formula committee, FNS calculated all state agency allocations based on the changes to the formula being discussed and reviewed the results with the committee. The calculations focused primarily on the inflation/fair share split, and less controversial proposed provisions, which are discussed later. Based on these discussions, prior to the publication of the proposed rule, the funding formula committee favored an 80/20 split in which 80 per cent of food funds remaining after prior year grants were made would be allocated for inflation and 20 per cent to be set aside for fair share growth. However, because of concerns over equity held by others involved in the regulatory review process, including OMB, the proposed rule included a 50/50 split. Following is the rationale for the proposed rule:

Long consideration was given to stability food funding and whether full inflation should be guaranteed. Concerns were raised that if state agencies were not funded with full inflation, prior year-end participation levels may not be sustained, thereby forcing some state agencies to cut caseload. This concern, however, was countered by the objective of making available, to the extent

\textsuperscript{16} In fiscal year 1999, the highest proportion of a state agency’s food grant to its fair share was 172 per cent, and 71 per cent was the lowest.
possible, additional funding to under fair share state agencies so that they have the opportunity to add participants to bring them closer to the level of service provided by state agencies that have received allocations above their fair share.

After exploring options available, FNS proposes to modify Section 246.16 (c)(3)(ii) to redefine stability as the prior year food grant level, without any initial adjustments for inflation. Any funds remaining after guaranteeing prior year end grant levels would be split. Fifty per cent of the remaining funding would be provided for an inflation allowance based on the fair share funding level allocated with the new year appropriation instead of the prior year grant levels currently used in the formula. The remaining 50 per cent would be allocated to under-fair-share state agencies to bring them closer to their fair share level. The funds subject to the 50/50 split would include current year appropriated funds and unspent recoverable funds from the prior fiscal year.

These changes to the stability component would ensure that even in a funding environment in which the Program receives only a modest increase above prior year grant levels, state agencies with less than their fair share of funds would continue to receive a larger increase in funding relative to over-fair-share state agencies.

We recognize that the 50/50 split of the remaining funds after prior year grant levels are funded and the inflation calculation are different than what was discussed with the NAWD committee. However, we were persuaded during the review process that a more aggressive approach was necessary to shift available funds to under-fair-share state agencies. Therefore, we are particularly interested in comments concerning the split of funds and the method used to calculate inflation adjustments.

The proposed rule was open for public comment for 90 days. Approximately 99 per cent of the commenters strongly opposed the 50/50 split. The majority felt the 50/50 split was seriously flawed and supported the original 80/20 split that was discussed during meetings between FNS and its state and local partners. Commenters primarily supported the 80/20 split because they felt that the 50/50 split would provide too few funds to state agencies for inflation and could lead to reductions in current participation levels in over-fair-share state agencies. In the end, FNS was persuaded by public comment to finalize the rule with an 80/20 split.

The funding formulas rule of 1999 involved a number of other less controversial provisions. The most significant was the revision of the NSA formula to encourage reduction of NSA fair share inequities. The rule provided that after base grants (similar to food prior year grants) were made, remaining funds would first be distributed to under-fair-share states. Many of the other provisions eliminated outdated parts of the formula that no longer were synchronized with the program.

6. Summary

The WIC funding formulas evolve to deal with emerging issues and emerging philosophies of funding. The components of the funding formulas depend considerably upon
the changing philosophies of Congress, rule makers, and the public. In the early years of WIC, the reigning philosophy was that this extremely important and effective program should grow rapidly to reach more eligible people. In those years, the funding formulas primarily reflected the value of rapid growth in the public interest of serving as many eligible, needy women, infants, and children as possible. Equalizing resources among states was a secondary concern. As WIC has become larger and established, participation growth has flattened. WIC now serves a significant proportion of eligibles. In the stability years since 1997, FNS funding formula philosophy has shifted more towards equity.

7. References


