

# WIC Nutrition Services and Administration Cost Study

## Final Report

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# WIC Nutrition Services and Administration Cost Study

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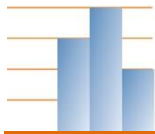
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## Glossary of Terms

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<b>Centralized SA</b>	SAs that operate and staff local service delivery sites. Most SAs operated by Indian Tribal Organizations (ITOs) and Territories fall into this category.
<b>Combination SA</b>	SAs that are a hybrid of centralized and decentralized structures. They operate and staff some local service delivery sites but also contract with one or more LAs for the provision of local services.
<b>Contingency fund</b>	A reserve of money set aside to cover possible unforeseen future expenses.
<b>Decentralized SA</b>	SAs that contract with LAs for local service delivery.
<b>Direct costs</b>	Costs incurred specifically for a program.
<b>EBT</b>	WIC consumers use paper food instruments or a card that looks like a debit card to redeem their WIC foods. The card system is called Electronic benefit transfer or EBT.
<b>Indirect costs</b>	Costs incurred for the benefit of more than one program. Because indirect costs cannot be identified readily and specifically with a particular program, agencies use a variety of methods to allocated indirect costs to WIC.
<b>Local agency (LA)</b>	Community-based agencies that manage applications and certifications and deliver WIC services and benefits.
<b>NSA grant</b>	Nutrition Services and Administration (NSA) grant funds support a wide range of program activities at the State agency and local levels, including both administrative or management functions (e.g., establishing program policies and procedures, operating food delivery systems, monitoring program operations) and nutrition services functions (e.g., conducting nutrition assessments, providing nutrition education, making referrals).
<b>Participant</b>	Lower-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5 who are at nutritional risk and receive WIC benefits.
<b>State agency (SA)</b>	SAs receive grants along with any funding or policy guidance from the USDA Food and Nutrition Service and manage grants and set policy for local agencies. There are 90 SAs in all—one in each of the geographic U.S. States, the District of Columbia, 34 ITOs, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.
<b>USDA</b>	The United States Department of Agriculture, which funds and oversees the WIC Program.
<b>WIC Vendor</b>	A commercial entity, such as a grocery store, where WIC food instruments (paper checks, vouchers, or EBT cards) can be used to purchase WIC-approved food items.



This report assesses the costs charged to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) in Federal fiscal year (FFY) 2013. In 2014, the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) contracted Altarum Institute and RTI International to conduct the Nutrition Services and Administration (NSA) Cost Study, an assessment of the amounts and categories of costs charged to WIC NSA grants and the variation of these costs among WIC State agencies (SAs) and local agencies (LAs). Prior to this report, the most recent similar assessment was completed by the U.S. Government Accountability Office (GAO) and focused on costs associated with operating WIC during FFY 1998.<sup>1</sup> Since that time, the WIC program has changed: Participation has increased, electronic benefits transfer (EBT) for food benefit delivery has been introduced, the use of management information systems (MIS) to create and manage participant records has expanded, WIC food packages have been updated, and breastfeeding support services have expanded.

The WIC NSA Cost Study was designed with consideration of four objectives:

1. Gather and analyze data on the NSA grant system to obtain a detailed and accurate picture of average NSA funds and costs at the national, SA, Indian Tribal Organization (ITO), and LA levels.
2. Determine the impact on NSA costs of the increased use of technology and infant formula rebates.
3. Determine the extent and effect of economies of scale between larger and smaller States/ITOs and LAs.
4. Compare WIC administration costs to administration costs for the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program.

### ES-1 BACKGROUND

WIC is a federally funded nutrition assistance program administered by FNS to provide supplemental foods, nutrition education, breastfeeding support, and referrals for health care and other services to low-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5 who are at nutritional risk. FNS awards annual cash grants that in FFY 2013 supported program operations in 50 State health departments, 34 ITOs, the District of Columbia, and five U.S. Territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands). These 90 WIC SAs provide services through approximately 10,000 clinic locations including county health departments, Federally Qualified Health Centers, hospitals and health clinics, Indian Health Service facilities, and other locations. Most ITOs and Territories along with a few State health departments operate the program at both the SA and local levels, meaning they conduct SA-level functions and provide services directly to participants through local service delivery sites, while some State health departments conduct the WIC SA-level functions and establish contracts or agreements with more than 1,600 LAs for delivery of program services. LAs have their own budget and operate independently from the SA, while SA-run local service delivery sites are extensions of SA operations.

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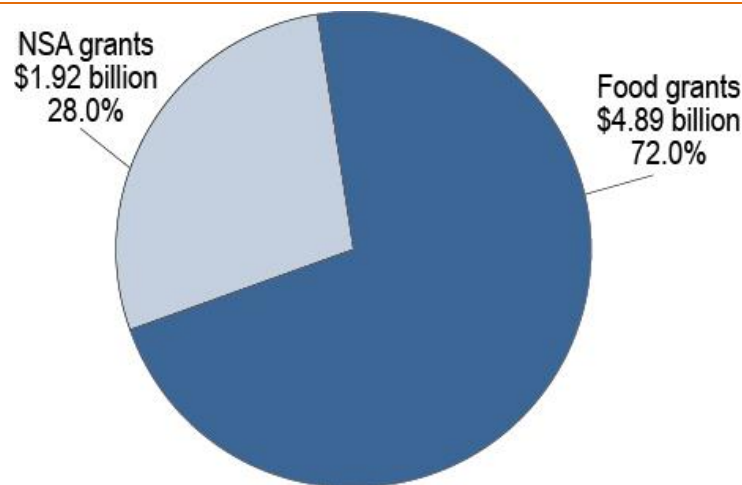
<sup>1</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000: <http://www.gao.gov/assets/230/228748.pdf>.



FNS awards grants to SAs in two components: food grants and NSA grants. In each fiscal year, the split of funds between these grant components starts with determining the amount of NSA funds required to provide the national guaranteed administrative grant per participant (AGP). By law, the AGP is calculated using the preceding fiscal year AGP with an inflation adjustment based on the estimated percent increase in the State and local government purchase index. For FFY 2013, the AGP was \$18.11. After determining the amount required to provide NSA grants to SAs, the remaining funds are used for food grants.

The amount of funds allocated to each SA for both food and NSA grants is determined by FNS through a funding formula established in Federal WIC regulations. The NSA portion of the funding formula was last updated in 1999. The funding formula for both grant components factors in prior-year grant levels to preserve stability in the program and includes other factors that encourage SAs to maximize program reach. After applying these formulas to the annual appropriation, reallocating unspent prior-year funds, and distributing contingency funds, WIC SAs received grant funds for FFY 2013 totaling nearly \$6.82 billion. Almost three-fourths of these funds (\$4.89 billion) were allocated for food costs and the remaining funds (\$1.92 billion) were allocated for NSA costs (Exhibit ES.1). This study focuses on the latter costs.

### Exhibit ES.1 FFY 2013 WIC Grants



Source: FFY 2013 FNS administrative data.

NSA grant funds support a wide range of program activities at the SA and local levels, including both administrative or management functions (e.g., establishing program policies and procedures, operating food delivery systems, monitoring program operations) and nutrition services functions (e.g., conducting nutrition assessments, providing nutrition education, making referrals). Some of the functions supported by NSA funds, such as determining client eligibility and issuing benefits, are similar to other Federal programs such as SNAP. However, because nutrition education and breastfeeding promotion and support provided by WIC are considered program benefits and together compose 29 percent of NSA expenditures, a much smaller percentage of total expenditures is used to administer WIC.

### ES-2 METHODOLOGY

The study synthesized data from extant sources, including data reported by SAs for FFY 2013 on the Addendum to WIC Financial Management and Participation Report—NSA Expenditures (form FNS-798A); a Web census of SAs and LAs; and 14 case studies that entailed interviews with SA staff, staff from a subset of LAs, and representatives from SNAP and TANF.

## Extant Data

The monthly *WIC Financial Management and Participation Reports* (form FNS-798) submitted by SAs report the number of participants served, food fund obligations and expenditures, and NSA costs. At the end of each fiscal year, SAs must submit a report summarizing how NSA funds were used. The FNS-798A reports expenditures at the SA and local levels across four cost categories: program management, client services, nutrition education, and breastfeeding promotion and support. FNS-798A instructions define the items to be included in each of the four general categories. These data were supplemented by backup financial data reported by LAs for preparation of the SAs' FNS-798A closeout report. Extant SA and LA financial data was obtained for all 90 SAs and 1,549 LAs and was used extensively to address the study research objectives.

FNS also provided a LA directory and SA-level information on total, NSA, and food grant amounts; participation; formula rebate amounts; and other Federal grants received. In addition to providing financial data on each LA, SAs provided a list of active LAs and average monthly participation for each LA.

## SA and LA Web Surveys

A Web survey of SAs and LAs was conducted between June and November of 2014 to obtain detailed information about the ways in which WIC NSA funds are spent, including (1) general information about their service delivery system and changes in program costs; (2) detailed information on SA-level expenditures broken out by the four cost categories; and (3) information about other sources of funding, including in-kind contributions. Similar information was provided by LAs; however, these local-level expenditures were reported in total, not by the four categories. Web survey content was reviewed by the study's Peer Advisory Panel and the instruments were pretested, revised accordingly, and then approved by the Office of Management and Budget (OMB). The design of the survey required respondents to confirm and validate each individual screen when completed and then confirm final submission when all screens were completed. Because of this design, each confirmed screen was considered submitted and two types of respondents were defined: Agencies validating the entire survey are called "full responders," and agencies validating at least the demographics screen are called "partial responders."

SAs were categorized into one of three categories based on their operational structure and were assigned the appropriate version of the survey:

- **Centralized SAs** operate and staff local service delivery sites ( $n = 43$ ; 47.8 percent). Most ITOs and SAs operated by Territories fall into this category. These agencies responded to a version of the survey that allowed them to provide detail on both State- and local-level program characteristics and expenditures (called "the combination Web survey").
- **Decentralized SAs** contract with LAs for local service delivery ( $n = 38$ ; 42.2 percent). These agencies responded to a version of the survey that requested detail only on State-level program characteristics and expenditures (called "the SA Web survey").
- **Combination SAs** are a hybrid of centralized and decentralized structures ( $n = 9$ ; 10.0 percent). These agencies operate and staff some local service delivery sites but also contract with one or more LAs for the provision of local services. Like centralized SAs, these agencies responded to the combination Web survey.

The eligible SA-level study population included all WIC SAs ( $n = 90$ ). For the SA survey, the response rate including full and partial responders was 86 percent; the response rate including only the full responders was 74 percent. The eligible LA study population included all 1,556 LAs with which SAs contract for the provision of local services. For the LA survey, the response rate including full and partial responders was 80 percent; the response rate including only the full responders was 65 percent.

## Case Study Indepth Interviews

Case studies were conducted with 14 SAs between July and October of 2014 to supplement the financial information gathered from FNS and WIC SAs and LAs and subsequently gain an understanding of the various factors that influence WIC costs and changes in these costs over time. Indepth interviews were conducted with representatives from each of the 14 WIC SAs and with two to three LAs from each State, where applicable, using interview guides that were approved by OMB. Representatives from the SNAP and TANF programs in 9 of the 14 States were also recruited to participate in an interview. The purpose of these interviews was to gather information on organizational structure and staffing, sources of fundings, factors that influence program costs, and cost allocation methods so that comparisons could be made between these programs and WIC. Eight SNAP and six TANF representatives participated in interviews across a total of eight case study States.

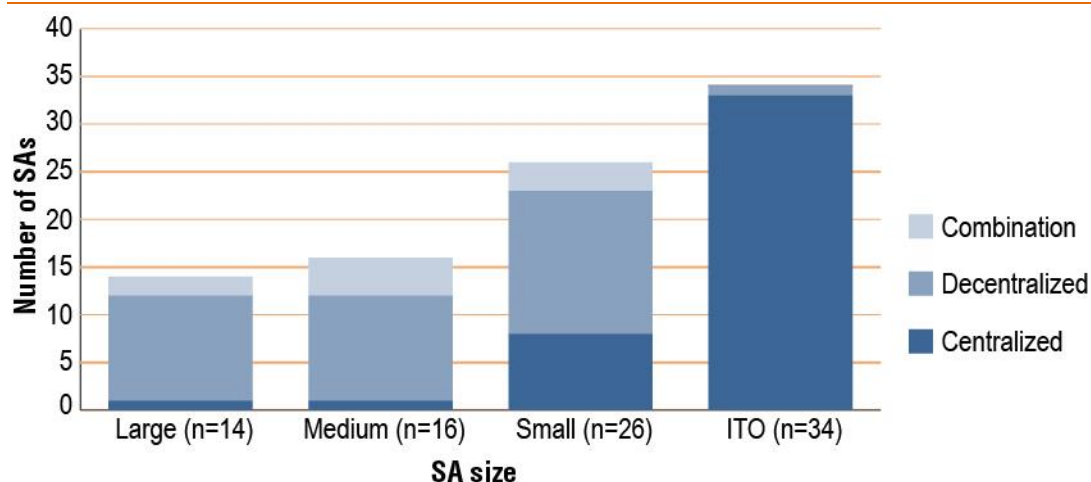
## ES-3 FINDINGS

### Study Population

State agencies operated by a State health department were grouped into one of three size categories based on the percentage that they contribute to total Federal NSA expenditures: Large SAs contributed more than 2 percent to total Federal NSA expenditures ( $n = 14$ ), medium SAs contributed more than 1 percent and up to 2 percent to total Federal NSA expenditures ( $n = 16$ ), and small SAs contributed 1 percent or less to total Federal NSA expenditures ( $n = 26$ ). ITOs were retained as a separate group, since they have unique funding and program administration issues ( $n = 34$ ).

As depicted in exhibit ES.2, although each State agency size grouping includes at least one agency with a centralized structure and at least two agencies with a combination structure, most small, medium, and large State agencies have a decentralized structure (57.7, 68.7, and 78.6 percent, respectively). Most ITOs, on the other hand, have a centralized structure (97.1 percent). Only one ITO has a decentralized structure.

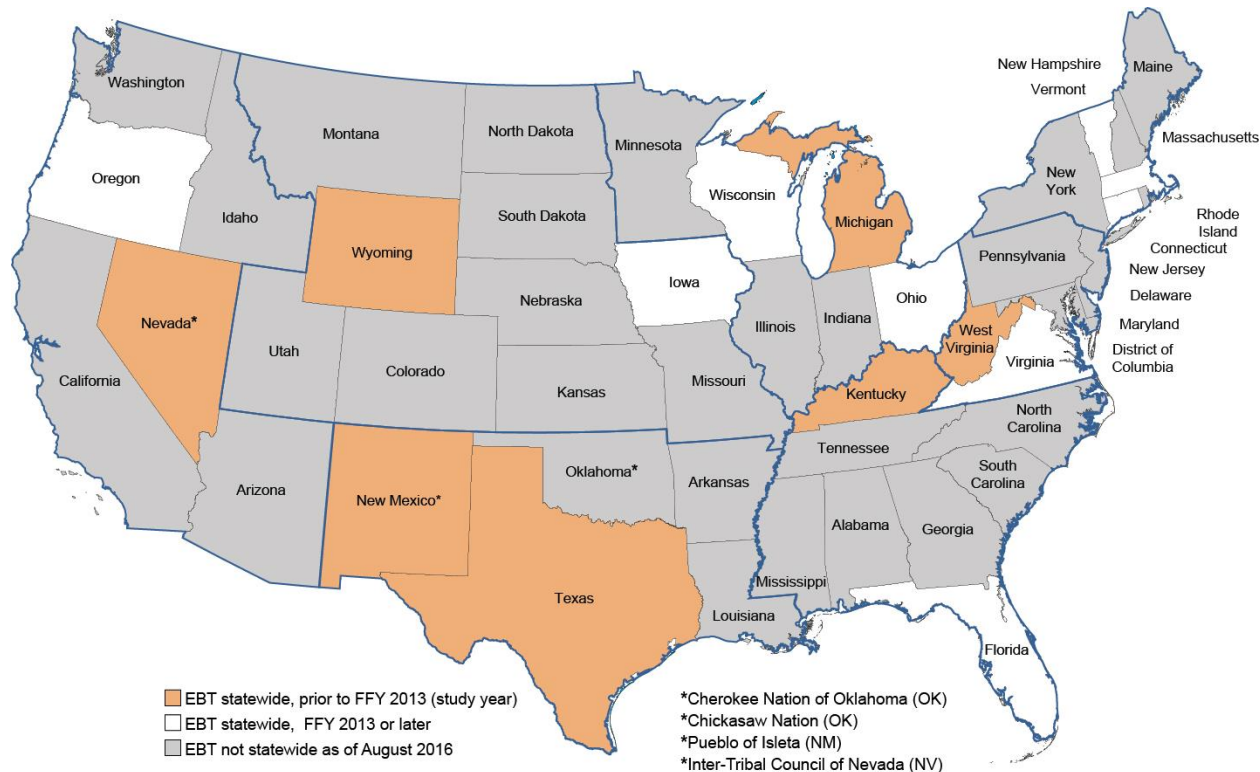
**Exhibit ES.2 WIC SA Size and Structure**



Note: SA size was determined based on FFY 2013 NSA expenditures. Large SAs contributed more than 2 percent of total Federal NSA expenditures; medium SAs contributed more than 1 percent and up to 2 percent of total Federal NSA expenditures; small SAs contributed 1 percent or less of total Federal NSA expenditures; and ITOs were retained as a separate group, since they have unique funding and program administration issues. Centralized SAs operate and staff local service delivery sites. Decentralized SAs contract with LAs for local service delivery. Combination SAs are a hybrid of a centralized and decentralized structure.

By the end of FFY 2013, the year on which this study is focused, 87.8 percent of SAs were still issuing paper food instruments, while the remaining 12.2 percent of agencies had fully implemented an EBT system (Exhibit ES.3).<sup>2</sup>

### Exhibit ES.3 Map of WIC SAs with EBT in the Contiguous United States, FFY 2013



Source: FFY 2013 FNS administrative data.

LAs were also grouped into one of three size categories, however, these groups were based on average monthly participation rather than expenditures: Large LAs served an average of more than 9,000 participants monthly (11.9 percent), medium LAs served an average of 2,501–9,000 participants monthly (29.6 percent), and small LAs served an average of 2,500 or fewer participants monthly (58.5 percent).

LAs were also grouped into one of three agency type categories:

- Local government, which comprises city and county health departments or agencies (65.8 percent);
- Nongovernment, which comprises nonprofit WIC-only agencies, private nonprofit community health care agencies, hospitals, and other agency types (30.0 percent); and
- Tribal, which comprises health care or social service agencies operated by a tribal entity (4.2 percent).

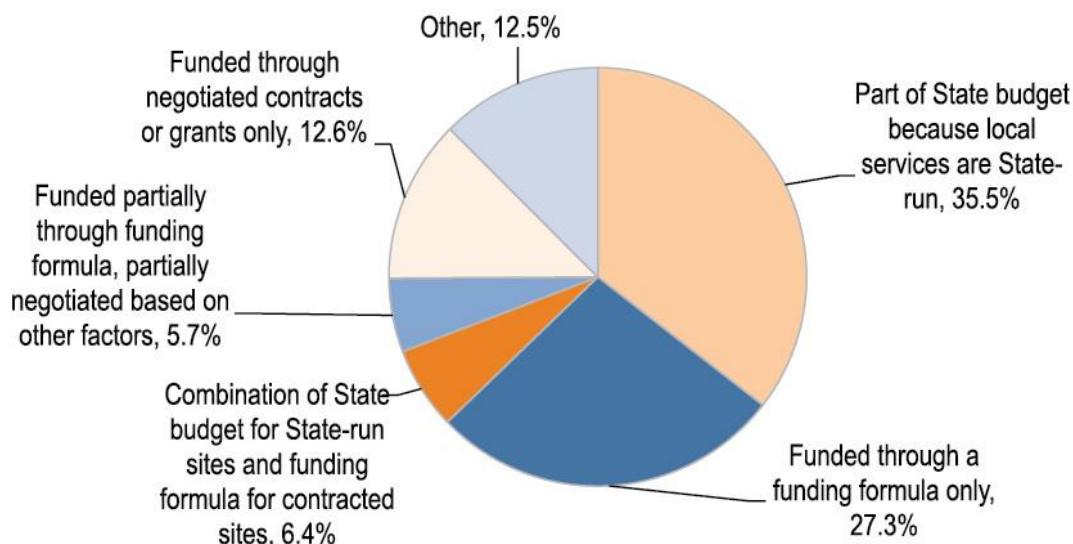
### Budget Planning

Prior-year expenditures, caseload, differences between the State and Federal fiscal years, and the timing and uncertainty of Federal funding were the primary factors influencing SA budget decisions in FFY

<sup>2</sup> FNS Web site, updated November 2013.

2013. As confirmed by the interviews, one of the key decisions that SAs make when planning their WIC budget is the amount needed to support State- and local-level program operations. While the approach to planning for these costs varies, nearly all SAs plan for and report on NSA costs at both the State and local levels. The SA survey asked about approaches used to determine funding amounts for local service delivery operations. As shown in exhibit ES.4, a little more than one-third of the respondents (35.5 percent) indicated that the local services are provided directly by the SA (SA-run), so they do not have specific allocations for local-level operations (e.g., centralized model). About 27 percent of SA respondents make the determination through a funding formula, and the remainder use negotiated contracts or grants or a combination of approaches.

**Exhibit ES.4 Percentage of SAs Using Various Methods to Fund Local Services, FFY 2013**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

Because outside sources of fundings can influence budget decisions, the study also examined SA receipt of State appropriated funding and in-kind support. In FFY 2013, 12 SAs (13 percent) received funds from their State or Tribal government to support WIC operations. Overall, these State funds made up 9 percent of the total NSA expenditures for these SAs during FFY 2013. About 25 percent of SAs reported on the SA survey that they received in-kind support; however, these SAs were unable to estimate its value. When case study SAs described their budget planning processes, none of them specifically mentioned having funds appropriated by their State included in their budget plans, nor did they describe factoring in-kind support into their budgets.

Many of the LA budget planning findings were similar to those for SAs. For example, most of the 24 case study LAs reported using historical expenditure information along with anticipated expenses in the upcoming year (e.g., salary increases, changes to benefits, equipment purchases) to plan their budget. All of these LAs indicated that personnel/staffing costs, including salaries, salary increases, and benefits, are the biggest factor when planning their budgets. After personnel/staffing costs, the next biggest budget planning factor described by LAs was rent or facility costs. LAs that completed the LA survey were asked for information regarding types of funding other than NSA they use for WIC operations, and 68 percent indicated they do have other funding sources. While the majority of respondents indicated they receive other Federal WIC funds, especially Breastfeeding Peer Counseling Program funds, about 13 percent indicated they receive non-Federal locally appropriated (8.9 percent) or non-Federal State-appropriated (3.5 percent) funds, and more than 20 percent responded that they receive other types of funding. A little more than half (50.5 percent) of LAs report receiving one or more forms of in-kind contributions.



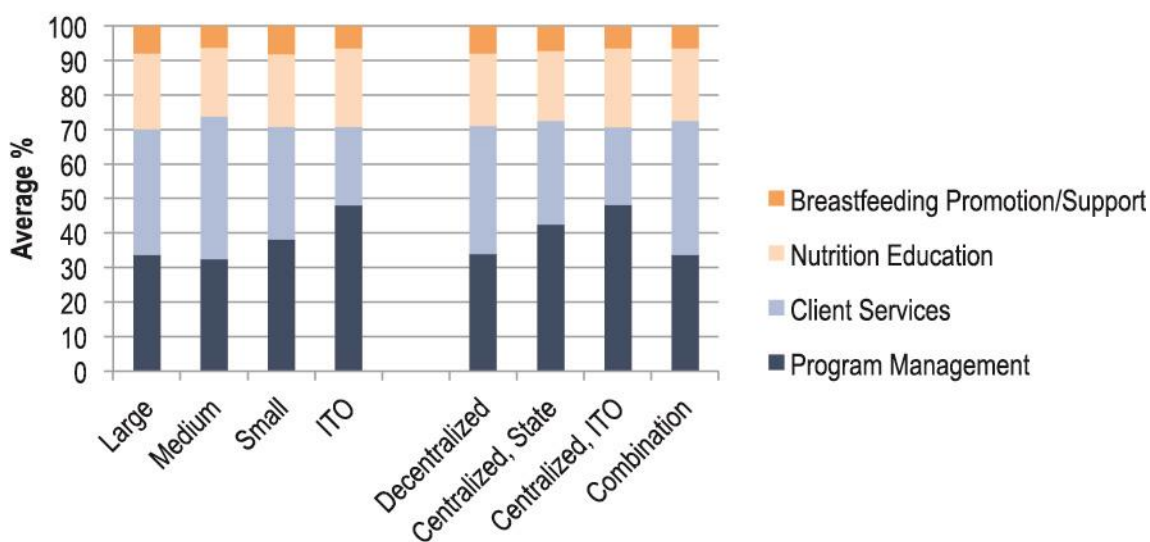
## NSA Expenditure Levels

Of the \$1.92 billion allocated for NSA (including operational adjustment [OA] allocations<sup>3</sup>, reallocated FFY 2012 funds, and contingency funds) during FFY 2013, the SAs reported NSA costs totaling \$1.88 billion. Approximately 8.7 million participants were served monthly for a mean per-participant monthly expenditure of \$18.14. Overall, 20.6 percent of total NSA expenditures supported State-level operations and 79.4 percent supported local-level operations.

Average monthly NSA expenditure per participant was also calculated for LAs using expenditure data provided by their SAs. Expenditure data were available for 1,549, or 99.6 percent, of all LAs that operated via a contract with an SA during FFY 2013. Overall, LAs spent an average of \$14.89 per participant per month in FFY 2013.<sup>4</sup> This value is approximately 82 percent of the national average monthly expenditure per participant, which is consistent with the percentage of NSA expenditures that were expended on local-level operations nationally.

SAs also report on expenditures in four categories included on the FNS-798A form: program management, client services, nutrition education, and breastfeeding promotion and support. Nationally, about 34 percent of NSA funds is spent on program management, while 37 percent is spent on client services, 21 percent is spent on nutrition education, and 8 percent on breastfeeding support (see). The average percentages of expenditures for program management and client services vary by agency size and structure as depicted in exhibit ES.5.

**Exhibit ES.5 Average Percentage of Total NSA Expenditures in Each Cost Category, by SA Size and Structure, FFY 2013**



Source: FFY 2013 FNS administrative data. Note: Group mean percentages are presented and include both SA and local-level expenditures.

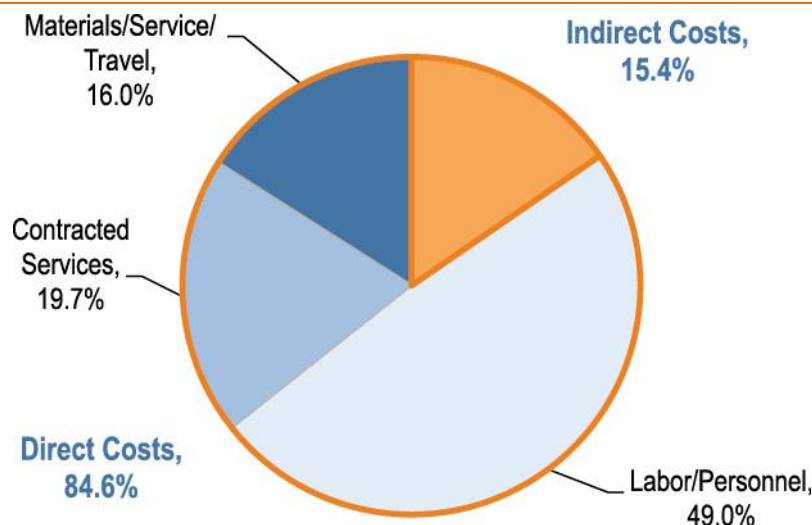
<sup>3</sup>By Federal regulation, up to 10 percent of the NSA grant determined for each SA is aggregated into a regional OA fund. FNS Regional Offices distribute these OA funds to SAs in their region to achieve national priorities or address unique needs.

<sup>4</sup>This value was calculated by dividing total Federal NSA expenditures for all LAs by annual WIC participation for all LAs; it is not an average of average monthly expenditures per participant that were calculated for each LA.

## NSA State Agency-Level Cost Centers

Based on Web survey responses, SAs allocated an average of more than 85 percent of their FFY 2013 NSA grant funds to pay for direct costs, which comprise labor and personnel, contracted services, and materials, services, and travel, while allocating only 15 percent on average to indirect costs (Exhibit ES.6).<sup>5</sup> Indirect costs pay for a variety of services (e.g., accounting services and human resource services), and many interviewees reported that these costs have increased in recent years. Although a variety of methods are used by SAs to allocate indirect costs to WIC, SAs most frequently used a percentage of their total WIC salaries or total salaries and benefits as the basis for allocation in FFY 2013.

### Exhibit ES.6 Proportion of the FFY 2013 NSA Grant Attributed to Key SA-Level Cost Centers



Source: FFY 2013 FNS administrative data. Note: Estimates were weighted to represent the population of SAs. Some costs reported by SAs on the SA web survey may support local operations and be reported to FNS as local-level costs on the FNS-798a report.

Labor and personnel account for nearly 50 percent of all SA-level costs; thus, it is not surprising that, when asked about factors they consider most important in driving overall program costs, interview respondents from the 14 case study SAs most frequently noted personnel or salaries and benefits as their biggest expense. On the labor and personnel survey screen, SAs were also asked to estimate the dollar amount of salaries and benefits attributed to these SA functions within each of the four NSA cost categories: program management, client services, nutrition education, and breastfeeding promotion and support. The vast majority of SAs reported that salary and benefit costs support program management (68.8 percent). This percentage varied by agency type: State agencies attributed 74 percent of this cost category to salaries and benefits, compared to 58.5 percent reported by ITOs (*p is equal to* .0221). Nutrition education ranked a distant second, composing only 14 percent of all SA-level labor and personnel costs, and client services ranked third (10.5 percent). The smallest percentage of SA-level labor and personnel costs paid out of the NSA grant were attributed to breastfeeding at 7.1 percent overall.

Costs associated with service contracts and materials, services, and travel were also prevalent and accounted for a substantial portion of SA-level NSA expenditures. SAs explained that many of the SA-

<sup>5</sup> Staffing costs associated with local service delivery in centralized and combination SAs and costs incurred by LAs were reported separately and thus are not included in these findings. In some instances, small agencies with minimal staff (e.g., small ITOs) might have reported all labor and personnel as State-level costs.

level costs for contracts, materials and services are for purchases or services to support local-level operations.

### NSA Local-Level Cost Centers

According to the survey, on average, LAs allocated 90.8 percent of their FFY 2013 NSA grant funds to pay for direct costs, which comprise labor and personnel, contracted services, materials, services, and travel, while only 9.2 percent on average was allocated to indirect costs. On average, LAs operated by local government entities allocated less of their grant to direct costs compared to nongovernment LAs (89.9 percent and 93.0 percent, respectively; *p is less than* .001). Tribal LAs allocated 88.6 percent of their grant to direct costs, which was not statistically significantly different from the other agency types.

Labor and personnel account for the vast majority of all costs associated with local service delivery (80.7 percent). Subsequently, it is not surprising that, when asked about factors they consider most important in driving overall program costs, interview respondents from the 24 case study LAs most frequently noted salaries, benefits, and the need for additional staff as their biggest expense in an effort to maintain a skilled and experienced staff. Overall, 42.6 percent of LAs reported sharing staff with other programs. Staff sharing with other programs has the potential to influence an agency's labor and personnel costs. For example, an agency that requires only a partial FTE to support certain operational functions (e.g., accounting, receptionist) may be able to save on labor and personnel costs if, by sharing these types of staff, it can more efficiently to meet program needs. Indeed, survey data indicate that LAs that share staff with other programs allocated a smaller percentage of their total FFY 2013 costs to labor and personnel compared to agencies that do not (78.5 versus 82.4 percent, respectively; *p is equal to* .0014).

Indirect costs ranked second out of the four major cost centers in terms of total NSA expenditures, accounting for approximately 9 percent of all local-level costs reported by LAs on the Web survey. Overall, 65.4 percent of LAs reported charging indirect costs to their NSA grant. The percentage of agencies reporting indirect costs did not vary by agency type but varied significantly by agency size (*p is less than* .001). Approximately 78 percent of large LAs charge indirect costs to their WIC grant, compared to 70.4 percent of medium agencies and 59.6 percent of small agencies. Costs associated with materials, services, and travel and contracted services accounted for an additional 8.1 percent and 2.0 percent of local-level costs, respectively.

### Factors Influencing NSA Costs

The study sought to understand the influence of various factors on NSA costs in recent years or in FFY 2013 specifically, including factors SAs and LAs associated with increased or decreased costs, use of technology, economies of scale, and infant formula rebates.

When asked about factors that have increased SA-level staffing costs since FFY 2010, increases in fringe benefit costs and staff salaries were the most common responses, reported by 65.1 percent and 61.9 percent of SAs, respectively. A majority of SAs also experienced an increase in SA-level costs associated with facilities and support services (e.g., facility space, telecommunications) and program operations (e.g., indirect costs, vendor management costs), 80 percent and 72.3 percent, respectively. Factors that had decreased SA-level costs were less commonly reported, perhaps indicating that the majority of SAs saw their costs increase or stay the same between FFY 2010 and FFY 2013.

Results for LAs were somewhat similar. Increases in fringe benefit costs and staff salaries were the factors LAs most commonly associated with their increased staffing costs responses, reported by 81.1 percent and 77.4 percent of LAs, respectively. Likewise, more than 86 percent of LAs experienced an increase in LA-level costs associated with facilities and support services, and nearly 66 percent reported that one or more factors related to program operations contributed to an increase in their overall costs. Like SAs, LAs reported fewer factors that contributed to decreased staffing and overall LA-level costs.



Still, approximately 30 percent of LAs indicated that decreases in program participation have decreased their local-level costs since FFY 2010, which corresponds with the 30 percent of SAs that reported a decrease in costs due to declining program participation. This is an indication that a large portion of SAs and LAs have reduced their NSA costs in response to lower demand for program benefits and services.

Based on information gleaned through the survey, it is difficult to determine whether the implementation of more sophisticated MIS and EBT has increased or decreased SA and LA need for NSA funds to support these segments of program operations. It is clear from the case study interviews, however, that SAs are concerned about the proportion of their grant that is currently being used or that may need to be used in the future to support MIS and EBT implementation and maintenance. When asked about factors they consider most important in driving their overall program costs and how much control they have over these factors, 8 of the 14 case study SAs mentioned costs associated with MIS or EBT or both. The concerns raised by respondents were varied but pervasive and included issues related to procuring contractors and budgeting for large MIS and EBT expenditures without knowing well enough in advance whether their SA will receive other Federal or OA funds to support these projects. If not, SAs must react quickly and cover these costs with their NSA grant.

Because the size of an SA or LA or other factors associated with how the SA or LA operates may influence its cost per participant, statistical models were used to explore the influence of economies of scale. Economies of scale generally occur when there are large fixed costs that must be incurred regardless of agency size. Diseconomies of scale generally occur when increasing size leads to increasingly complex management requirements. Only the number of LAs within a State had any impact on economies of scale. Results show that there are initially strong economies of scale for SAs, but there are diseconomies of scale after SAs exceed 35 LAs. In SAs with a large number of LAs, it is possible that there are more LAs of a smaller size and that this factor is driving the result rather than the total number of LAs. With regard to LAs, the total caseload of the LA had a statistically significant impact on cost per participant. However, the estimated effects are very small (only pennies for every additional 1,000 participants). Therefore, size of caseload is not an important driver of LA cost per participant.

Finally, in FFY 2013, approximately \$1.88 billion in rebates were received by SAs, mostly from infant formula contracts, which represents a substantial reduction to the Program's annual food expenditures. In other words, the Program issues a total of \$6.38 billion in food benefits, but \$1.88 billion of these costs are offset by the rebates. When the Program's gross food costs (pre-rebate) are considered, the proportion of WIC dollars allocated to NSA changes substantially, from nearly 30 percent to less than 23 percent. Moreover, if the 559 million NSA dollars allocated to nutrition education and breastfeeding promotion and support—additional benefits of the Program—are shifted from an “administrative cost” to a “program benefit cost,” the proportion of WIC dollars allocated for administrative expenses is further reduced to approximately 16 percent.

### **Comparison to SNAP and TANF Costs**

The study sought to examine whether and how WIC administrative expenditures compare to those from two other Federal programs: SNAP and the TANF block grant. TANF is designed to help low-income families achieve self-sufficiency. States receive block grants from the U.S. Department of Health and Human Services' Administration for Children and Families (ACF) to design and operate programs that accomplish one or more of the purposes of TANF. SNAP is the largest program in the domestic hunger safety net and provides a monthly food benefit to eligible participants and other services to support healthy eating. Information gleaned from financial reports submitted by States to the Federal sponsoring agencies and case studies conducted in a small number of States were used for this assessment. While differences in cost reporting and variations in program mission and operations make it difficult to compare costs for WIC, SNAP, and TANF, some general observations about the differences in administrative costs between these programs can be made.

For example, SNAP is more similar to WIC than is TANF because both programs offer food benefits to low-income individuals and families, yet SNAP allocates a much smaller percentage of funds to program non-food expenditures compared to WIC. When making this comparison, however, it is important to consider that most of SNAP's non-food expenditures support administration of the program, such as certification of eligible clients, quality control measures, employment and training costs, and other administrative requirements; whereas for WIC, non-food expenditures include the costs of providing nutrition education, breastfeeding support, and referrals for health care and other services. Again, these differences make it challenging to compare the true administrative costs of these programs.

TANF, on the other hand, allocates a much larger percentage of its funds to non-cash expenditures; but like WIC, some of these "administrative" expenditures support non-cash benefits such as employment support, tax credits, child care assistance, support for new fathers, programs to prevent out-of-wedlock pregnancy, and transportation services for clients. Due to the way financial data are reported to ACF, it was not possible to isolate or separate out costs that may be used to support these services. Moreover, the specific services offered through TANF vary substantially by State.

The study also found that cost efficiencies and use of technology in SNAP appear to reduce its labor and other costs compared to WIC and TANF. WIC and most TANF programs require onsite certification, where a client must present themselves at an office and complete a certification process. SNAP has moved away from this process, allowing Web- and phone-based application processes, using call centers, and distributing workloads to ensure a timely application process and efficient use of staff. Respondents in the case study States report that these efforts have significantly reduced the costs of administering the program and made it more customer friendly.

Joint applications from SNAP, TANF, and Medicaid also help to reduce the financial burden and duplication of effort for all three programs. Instead of having to complete an application for each of the three programs, an applicant can complete a consolidated application, and costs are distributed across the three programs based on an approved cost allocation methodology. This consolidated application system, combined with employee time tracking, makes it easy to allocate costs across programs. Although WIC may not benefit to the same degree, it is able to avoid costs associated with collecting and evaluating income information for approximately 70 percent of its program applicants through adjunctive eligibility.

Finally, at least in the case study States, it appears that the Patient Protection and Affordable Care Act (ACA) has provided enhanced funding for States to improve their technology and MIS with little or no cost to TANF or SNAP. The opportunity provided through ACA to update computer systems using Medicaid funds in these States has benefited all three programs. ACA-related enhancements were not cited by WIC programs during case study interviews.



## Chapter I: Introduction and Overview

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The purpose of this report is to provide the U.S. Department of Agriculture’s (USDA) Food and Nutrition Service (FNS) with findings from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Nutrition Services and Administration (NSA) Cost Study. The purpose of the WIC NSA Cost Study is to provide an updated assessment of the amounts and categories of costs charged to WIC NSA grants and the variation of these costs among State agencies/Indian Tribal Organizations (ITOs) and local agencies. The last national assessment of WIC NSA costs was completed by the U.S. Government Accountability Office (GAO) and focused on costs associated with operating WIC during Federal fiscal year (FFY) 1998.<sup>6</sup> Since that time, many changes have occurred, including growth in WIC participation, expanded use of technology including electronic benefits transfer (EBT) for food benefit delivery and use of management information systems (MIS) to create and manage participant records, implementation of updated WIC food packages and increased breastfeeding and support services, to name just a few. To provide updated information on NSA costs, FNS contracted with Altarum Institute to conduct the WIC NSA Cost Study. The study addresses four objectives:

**OBJECTIVE 1:** Gather and analyze data on the NSA grant system to obtain a detailed and accurate picture of average NSA funds and costs at the national, State agency/ITO, and local levels.

**OBJECTIVE 2:** Determine the impact on NSA costs of the increased use of technology and infant formula rebates.

**OBJECTIVE 3:** Determine the extent and effect of economies of scale between larger and smaller State agencies/ITOs and local agencies (LAs).

**OBJECTIVE 4:** Establish comparisons between WIC administration costs and administration costs in similar Federal programs.

This report presents the results of analysis of several data sources including data reported by State agencies/ITOs (referred to collectively as SAs) for FFY 2013 on the *Addendum to WIC Financial Management and Participation Report—NSA Expenditures*, data obtained from SAs on expenditures of local agencies that provided WIC services via a contract with the SA in FFY 2013 (referred to as LAs), a survey of SAs and LAs concerning FFY 2013 NSA costs and related topics, and interviews with 14 case study SAs and 24 of their affiliated LAs.

### A. Program Background and Funding Overview

WIC is a federally funded nutrition assistance program administered by FNS that provides supplemental foods; nutrition education, breastfeeding support, and referrals for health care and other services to low-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5 who are at nutritional risk. FNS provides annual cash grants that in FFY 2013 (the reference year for this study) supported program operations in 50 State health departments, 34 ITOs, the District of Columbia, and five U.S. Territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin

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<sup>6</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000: <http://www.gao.gov/assets/230/228748.pdf>.

Islands). These 90 SAs provide services through approximately 10,000 clinic locations including county health departments, community centers, hospitals and health clinics, Indian Health Service facilities, and other locations. Most State health departments conduct WIC SA-level functions and establish contracts or agreements with more than 1,600 local government and nongovernment agencies, or LAs, for delivery of program services. A few State health departments and most ITOs and Territories operate the program at both the SA and local levels, meaning they conduct SA-level functions and provide services directly to participants through local service delivery sites. LAs have their own budget and operate independently from the SA, while SA-run local service delivery sites are extensions of SA operations.

WIC is a discretionary Federal program with annual appropriations made through the Federal budget act. In FFY 2013, the appropriation was subject to budget recisions and a sequester, which reduced the amount available to operate the program by nearly 7.8 percent to a total of \$6.52 billion. However, unspent funds from the prior fiscal year and a WIC contingency fund supplemented the appropriation to reach a total of \$6.82 billion available in grants to SAs to operate the program.<sup>7</sup>

Grants are provided to SAs in two components: food grants and NSA grants. NSA grant funds support a wide range of program activities at the SA and local levels, including both administrative or management functions (e.g., establishing program policies and procedures, operating food delivery systems, monitoring program operations) and nutrition services functions (e.g., conducting nutrition assessments, providing nutrition education, making referrals). In each fiscal year, the split of funds between these grant components starts with determining the amount of NSA funds required to provide the national guaranteed administrative grant per participant (AGP). The AGP is calculated according to parameters in the Child Nutrition Act of 1966 using the preceding fiscal year's AGP with an inflation adjustment based on the estimated percent increase in the State and local government purchase index.<sup>8</sup> For FFY 2013, the AGP was \$18.11. After determining the amount required to provide NSA grants to SAs, the remaining funds are used for food grants.

The amount of funds allocated annually to each SA for both food and NSA grants are determined by FNS through a funding formula established in Federal WIC regulations. The NSA portion of the funding formula was last updated in 1999. The funding formula for both grant components factor in prior-year grant levels to preserve stability in the program and include other factors that encourage SAs to maximize program reach. Both the food and NSA portions of the funding formula have three components shown in exhibit 1.1.

#### **Exhibit 1.1 WIC Food and NSA Funding Formulas**

##### **Food funding formula components:**

- Prior-year grants
- Inflation (80 percent of remaining funds; based on thrifty food plan; 2013 = 3.31 percent)
- Fair share/growth (20 percent of remaining funds)

##### **NSA funding formula components:**

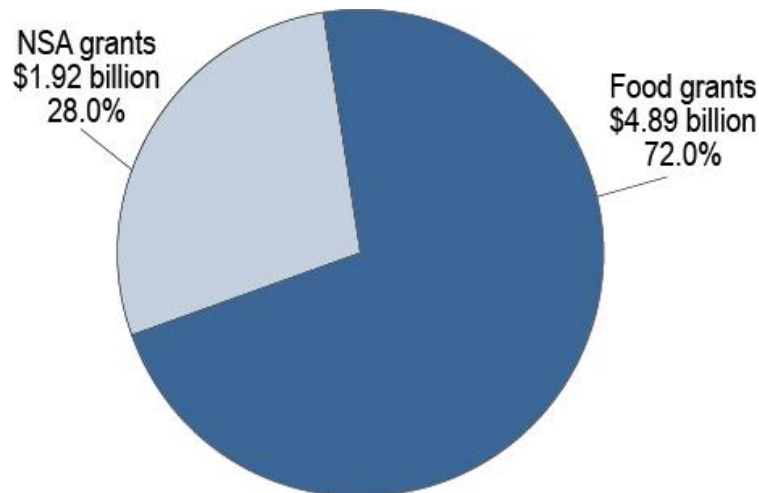
- Base grant (prior-year grants before operational adjustment [OA] decisions)
- Fair share target (participation based; economy of scale and salary factors considered)
- Regional OA funding

<sup>7</sup> Contingency funds are funds maintained by the Program that can be spent in any year. After the contingency fund was depleted in FFY 2013, Congress provided \$125 million to be held in contingency in the FFY 2014 appropriations law (P.L. 113-76).

<sup>8</sup> 7 C.F.R. §246.16 (c) (2).

After applying these formulas to the appropriation, reallocating unspent prior-year funds, and distributing contingency funds, WIC SAs received grant funds for FFY 2013 totaling nearly \$6.82 billion. Almost three-fourths of these funds (\$4.89 billion) were allocated for food costs, and the remaining funds (\$1.92 billion) were allocated for NSA costs (Exhibit 1.2).<sup>9</sup>

#### Exhibit 1.2 FFY 2013 WIC Grants



Source: FFY 2013 FNS administrative data.

The \$4.89 billion allocated for food costs, however, does not reflect the actual total value of foods issued by WIC in FFY 2013, because it does not account for the \$1.88 billion that SAs received in manufacturer rebates. To maximize the available food funds, most WIC SAs are required to establish competitively bid rebate contracts with infant formula manufacturers. The SA issues the contract brand of infant formula and receives a rebate for each can of the contract brand of infant formula purchased by WIC participants. Some SAs have additional rebate contracts for infant foods as well as formula. In FFY 2013, approximately \$1.88 billion in rebates were received by SAs, mostly from infant formula contracts, substantially reducing SAs' annual food expenditures; therefore, the actual total value of foods issued by WIC was close to \$6.77 billion. However, because the rebate contracts are for specified periods, the amount of the rebates may increase or decrease periodically, which affects both food and NSA grant levels and, in turn, the amount of the Federal WIC appropriation needed to serve all eligible applicants seeking program benefits.

#### *i. NSA grant requirements*

Federal regulations state, "In general, costs necessary to the fulfillment of Program objectives are to be considered allowable costs."<sup>10</sup> The two types of NSA costs described in the regulations are direct and indirect costs. Direct costs are those that can be identified specifically with WIC-related activities, such as salaries for staff who perform SA program functions staff who provide WIC services at the local level. Indirect costs are for services that benefit the program but are not easily linked to specific WIC functions (e.g., salaries for staff providing accounting services in an agency for both WIC and non-WIC programs). SAs follow cost principles issued by the Federal Office of Management and Budget (OMB) for charging costs to WIC. Indirect costs must be supported by a cost allocation plan approved by the cognizant

<sup>9</sup> U.S. Department of Agriculture, Food and Nutrition Service. *WIC Funding and Program Data*. Available at: <http://www.fns.usda.gov/wic/wic-funding-and-program-data>. Accessed April 22, 2016.

<sup>10</sup> 7 C.F.R. §246.14 (a).

agency, which, for most health departments, is the Department of Health and Human Services. Typically, the amount of indirect costs that SA or local WIC agencies are allowed to charge to NSA grant is based on an indirect cost rate that is expressed as a percentage of specific direct expenditures, such as salaries and benefits.

As noted previously, NSA grant funds are used to support a wide range of program activities at the SA and local levels, including both administrative or management functions and nutrition services functions. Examples of the program functions that are implemented at the SA and local levels using NSA funds are shown in exhibit 1.3. Some of the functions supported by NSA funds are similar to other Federal programs such as the Supplemental Nutrition Assistance Program (SNAP). For example, NSA funds are used for SA and local functions associated with determining client eligibility and issuing benefits. Unlike other Federal programs, there are WIC activities supported by the NSA grant that are associated with providing key program services of nutrition counseling, breastfeeding services, and referrals.

**Exhibit 1.3 WIC Functions Performed With NSA Funds**

State level	Local level
<ul style="list-style-type: none"> <li>• Develop and implement State-specific policies and procedures for eligibility determination, nutrition risk assessment, nutrition education, breastfeeding support, referrals, and other program services</li> <li>• Establish contracts with LAs to provide program services and/or set up and operate local service delivery sites</li> <li>• Train local staff and monitor service delivery in local sites</li> <li>• Review and select food products for the State-authorized food list</li> <li>• Procure and manage an infant formula rebate contract</li> <li>• Authorize, train, and monitor retail food vendors or oversee the operations of alternate food delivery systems</li> <li>• Develop, implement, and maintain information systems and technology used to provide services, record information about program participants, and track issuance and redemption of all food benefits provided to participants</li> <li>• Provide administrative hearings for participants and vendors</li> <li>• Manage the WIC grant and produce required reports</li> </ul>	<ul style="list-style-type: none"> <li>• Set up and operate local service sites</li> <li>• Hire, train, and monitor staff to provide program services</li> <li>• Conduct eligibility determinations of program applicants</li> <li>• Provide nutrition counseling and education</li> <li>• Identify referral resources and refer participants to available services</li> <li>• Offer breastfeeding promotion and support services</li> <li>• Prescribe supplemental foods</li> <li>• Issue food benefits to eligible participants</li> <li>• Maintain records of certified participants and the services and benefits they receive</li> <li>• Conduct vendor monitoring activities</li> <li>• Assist with voter registration</li> </ul>

There are specific regulatory requirements for use of NSA funds to provide nutrition education and breastfeeding promotion and support for participants. Each year, SAs must spend “an aggregate amount that is not less than the sum of one-sixth of the amount expended by the SA for costs of NSA and an amount equal to its proportionate share of the national minimum expenditure for breastfeeding promotion



and support activities.”<sup>11</sup> If a SA fails to meet the requirement for nutrition education and breastfeeding expenditures, FNS will issue a claim for the difference that must be paid with State/non-Federal funds. In addition to the requirement for nutrition education and breastfeeding expenditures, there is an overall performance standard governing NSA expenditures.<sup>12</sup> Per Federal regulations, FNS will reduce an SA’s NSA grant for the next fiscal year if the SA’s current year expenditure per participant is more than 10 percent higher than its NSA grant per participant. To avoid the grant adjustment, SAs may submit “good-cause” justifications to FNS for exceeding the limit.

Federal regulations allow for SAs to “transfer” or “carry over” a small percentage of NSA funds between two fiscal years. For example, a SA may spend forward an amount equal to 3 percent of its total grant (NSA plus food grant) of unused NSA funds into the next fiscal year. Conversely, SAs may back spend up to 1 percent of its NSA grant to cover either NSA or food overexpenditures in the prior fiscal year. FNS periodically reallocates unspent prior-year grant funds (both NSA and food funds) during the subsequent fiscal year, thereby increasing the total amount funds available for SA grants.

While NSA funds may be used for any allowable program costs, SAs may receive a portion of their NSA grant for specific projects or activities. By Federal regulation, up to 10 percent of the NSA grant determined for each SA is aggregated into a regional operational adjustment (OA) fund<sup>13</sup>. FNS Regional Offices distribute these OA funds to SAs in their region to achieve national priorities or address unique needs.

#### *ii. Other program funding*

In addition to the NSA grants and OA funds, SAs may receive Federal funds that are targeted for specific WIC purposes or services as established in the WIC appropriation. For example, in recent years, Congress has appropriated funds specifically for implementation of EBT for WIC food delivery. This funding is directed for use by SAs for costs associated with planning and implementing EBT in accordance with a mandate established in the Healthy Hunger Free Kids Act of 2010,<sup>14</sup> which requires all SAs to implement EBT for issuing WIC food benefits by 2020. Examples of additional appropriated funding that SAs may receive are shown in exhibit 1.4.

#### **Exhibit 1.4 Additional Federal WIC Funding**

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- Breastfeeding Peer Counseling Program grants to hire peer counselors to provide breastfeeding support are allocated to SAs via non-competitive, 2-year grants. To receive the funds, each participating SA agrees to implement a peer counseling program based on the Loving Support Peer Counseling model. (\$55 million was awarded nationally in FFY 2013);
  - Funding to support upgrades to or replacement of WIC MIS is awarded annually to SAs that apply and meet the funding requirements (approximately \$14 million was awarded to SAs in FFY 2013);
  - Funding to support EBT planning and implementation is awarded annually to SAs that apply and meet the funding requirements (approximately \$30.5 million was awarded in FFY 2013);
  - Special project grants to implement specific initiatives, such as new methods for nutrition education are awarded annually to SAs that apply and meet the funding requirements (approximately \$150,000); and
  - General infrastructure grants to support a variety of one-time program needs over a 2-year period are awarded to SAs that apply and meet the funding requirements (awarded as part of MIS and EBT grants in FFY 2013).
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Lastly, a few SAs receive State funds for WIC services, and some LAs receive local non-Federal funding to support WIC services. SAs also occasionally have the opportunity to receive other Federal funds, such

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<sup>11</sup> 7 C.F.R. §246.14 (c) (1).

<sup>12</sup> 7 C.F.R. §246.16 (e) (2).

<sup>13</sup> 7 C.F.R. §246.16(b)(2)(iv).

<sup>14</sup> Pub. L. 111–296—DEC. 13, 2010, Section 352 (d).

as the American Recovery and Reinvestment Act (“stimulus funds”). These State-appropriated, non-Federal local, or other Federal funding sources may be one-time or ongoing and may be targeted for specific activities or available for general WIC operations.

### **iii. Allocation of NSA funds to SA and local levels**

As previously explained, most State health departments that administer the program perform SA-level functions from centralized or regionalized offices and allocate NSA funds to LAs to provide services to participants (decentralized agencies), while some SAs operate by conducting all program functions, including SA-level management functions and local-level direct service delivery functions (centralized agencies). In some cases, SAs operate through a hybrid approach (combination agencies). Regardless of the operational model, SAs must determine how to distribute the NSA grant funds to conduct both SA- and local-level functions. SAs use different approaches for making these decisions with some creating local funding formulas, some using historical expenditure experience and trends such as caseload and others using budgets submitted by LAs.

### **iv. Reporting of NSA grant expenditures**

Monthly *WIC Financial Management and Participation Reports* (form FNS-798) submitted by SAs report data on the number of participants served, food fund obligations and expenditures, and NSA costs. At the end of each fiscal year, SAs must submit a report summarizing how NSA funds were used. The report, called form *FNS-798A, Addendum to WIC Financial Management and Participation Report: NSA Expenditures*, encompasses reporting of expenditures at the SA and local levels across four cost categories: program management, client services, nutrition education, and breastfeeding promotion and support. Exhibit 1.5 includes a description of each cost category.

## **Exhibit 1.5 NSA Reporting Cost Categories**

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**PROGRAM MANAGEMENT:** All costs (direct or indirect) generally considered to be overhead or management costs. General management costs include those costs associated with program monitoring, prevention of fraud, general oversight, and food instrument accountability. Examples include WIC administrative salaries/benefits and other costs necessary to conduct outreach, food instrument reconciliation, monitoring and payment, and vendor monitoring; to keep administrative records; and to prepare and maintain fiscal and program management reports. Other examples include general management clerical support, payroll and personnel systems, accounting and bookkeeping, audits, and other financial services and legal services.

**CLIENT SERVICES:** All costs expended to deliver food and other client services and benefits. Examples include WIC staff salaries/benefits and medical supplies and equipment necessary to conduct diet and health assessments required in the certification process; salaries/benefits; and other costs necessary to refer clients to other health care and social services, to coordinate services with other programs, to participate in activities that promote a broader range of health and social services for participants, and to conduct and participate in surveys/studies that evaluate the impact of WIC on its participants.

**NUTRITION EDUCATION:** All costs directly related to general nutrition education. Examples include salaries/benefits; travel and training costs for WIC staff who plan or conduct nutrition education; costs to develop/procure, print, and distribute nutrition education materials; costs of equipment required to conduct nutrition education training; costs of interpreter and translator services to facilitate training; and costs associated with evaluating and monitoring nutrition education.

**BREASTFEEDING PROMOTION AND SUPPORT:** All costs expended for promotion and support of breastfeeding. Examples include salaries/benefits of WIC staff who plan or conduct educational and other services to promote or support breastfeeding; salaries/benefits of peer counselors and individuals hired to undertake home visits and other actions to encourage continuation of breastfeeding; costs to develop/procure, print, and distribute educational materials related to breastfeeding promotion and support; and clinic space devoted to breastfeeding educational and training activities, including space set aside for nursing.

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NOTE: The examples listed for each cost category are not all-inclusive. These examples are merely intended to illustrate that when costs are reported by category, SAs must prorate salaries/benefits, data processing, supplies and equipment, communications, postage and freight, travel, rent and utilities, and more to the applicable functional category.

Source: Instructions for FNS-798A, Addendum to WIC Financial Management and Participation Report.



The FNS-798A reports also allow for reporting on the total NSA grant amount used for indirect costs and for expenditures of State-appropriated funds in the four cost categories, when applicable. Because SAs have different operational models and each SA has a unique budgeting, financial management, and accounting system, reporting of SA- and local-level expenditures and utilization of NSA funds across the four cost categories may not be consistent. Furthermore, in SAs that contract with LAs, the reporting of local-level expenditures in the four cost categories is affected by LA financial management and accounting processes. Even with these limitations, the FNS-798A reports provide useful information regarding how NSA funds are expended, and they enable FNS to assess for SA compliance with the nutrition education and breastfeeding promotion and support expenditure requirement and the NSA expenditure performance standard. These reports also provide a source for tracking NSA expenditures supported by State WIC funds.

## B. Prior Studies and Reports Related to WIC NSA Costs

There have been few studies focused on NSA costs. Prior to the year 2000, only a small number of surveys and case studies presented limited information on costs associated with operating WIC. The most comprehensive assessment on this topic was conducted by GAO (known as the U.S. General Accounting Office at the time of the study; now known as the Government Accountability Office) in response to a requirement in the William F. Goodling Child Nutrition Reauthorization Act of 1998 (P.L. 105-336). This act, which reauthorized WIC, directed GAO to assess various cost aspects of WIC NSA. The first report, *Financial Information on WIC Nutrition Services and Administrative Costs*, published by GAO in March 2000, provided information for FFY 1998 describing (1) the Federal and non-Federal sources and amounts of funding and in-kind contributions received by State agencies, ITOs, and LAs for WIC NSA; (2) the amount and type of NSA expenditures made by these agencies; and (3) the extent to which FNS identified questionable NSA expenditures during their evaluations of these activities.<sup>15</sup> To obtain the data for the first two objectives, GAO used surveys completed by 55 SAs operating in the 50 States, the District of Columbia, American Samoa, Puerto Rico, and the U.S. Virgin Islands; 25 ITOs; and 1,400 LAs.

Key findings in this GAO report pertaining to NSA costs include the following:

- State agencies and ITOs responding to the survey received Federal NSA funds totaling about \$1.08 billion in FFY 1998.
- State agencies, ITOs, and LAs reported receiving another \$57 million in FFY 1998 for WIC NSA from non-Federal sources, mostly from State and local governments.
- In addition to these funds, some State agencies and most ITOs and LAs reported receiving in-kind contributions to help deliver WIC services, most often in the form of facilities, utilities, and computers and maintenance.
- About 75 percent of NSA expenditures (\$846 million) in FFY 1998 were for local program operations with the balance used for SA-level operations.
- The vast majority of expenditures was for direct costs (91 percent for State agencies, 95 percent for the LAs, and 88 percent for the ITOs).
- Salary and benefit costs accounted for the largest percentage of direct costs for State agencies and LAs.

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<sup>15</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000: <http://www.gao.gov/assets/230/228748.pdf>.

A second report from the series of GAO assessments described findings from cases studies conducted at six LAs on *Activities and Use of Non-program Resources at Six WIC Agencies*.<sup>16</sup> This report, published in September 2000, concluded, “The six WIC agencies we studied used a variety of nonprogram resources to deliver WIC services, the most common being in-kind contributions from their sponsoring organizations. The share of costs covered by nonprogram resources at the six agencies ranged from about \$0.20 to \$0.02 for each dollar in costs covered with program funds.”

GAO conducted a third related study, *WIC Faces Challenges in Providing Nutrition Services*, published in December 2001, aiming to (1) describe the challenges that SAs and LAs face in providing nutrition services and administering the program and (2) identify approaches to address these challenges.<sup>17</sup> Methods used to conduct this study during 2000–2001 included review of WIC-related literature; reports and program policies; analysis of previously conducted surveys; case studies and other data collection efforts; and stakeholder interviews with Federal, State, and local program administrators and representatives from external groups. The report summarizes six key challenges WIC faces in delivering high-quality nutrition services:

- Coordinating its nutrition services with health and welfare programs undergoing considerable change,
- Responding to health and demographic changes in the low-income population that it serves,
- Recruiting and keeping a skilled workforce,
- Improving the use of information technology to enhance service delivery and program management,
- Assessing the effect of nutrition services, and
- Meeting increased program requirements without a corresponding increase in funding.

The report also describes 16 approaches that could address aspects of the major challenges facing the program. Four of the approaches focus on funding, four relate to performance or impact measurement, three address staffing issues, three relate to information technology, and two relate to the provision of nutrition services.

Of these three GAO reports, the report called *Financial Information on WIC Nutrition Services and Administrative Costs* presents findings that are most relevant for comparison with the results of the WIC NSA Cost Study. Again, the purpose of the current study is to provide an updated assessment of the amounts and categories of costs charged to WIC NSA grants and the variation of these costs among SAs and LAs.

### C. Organization of the Report

Chapters II through X describe the study methods and findings for the *WIC NSA Cost Study*. Outlined below is a brief summary of each chapter:

- Chapter II describes data sources and data collection methods that were employed during the study, as well as the approach to quantitative and qualitative data analysis.
- Chapter III briefly describes key attributes of SAs and LAs.
- Chapter IV describes the budget planning process employed by SAs, including how funds are allocated to SA- and local-level operations, planned for key program functions and costs, and

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<sup>16</sup> *Activities and Use of Non-program Resources at Six WIC Agencies* – General Accounting Office, September, 2000: <http://www.gao.gov/assets/230/229641.pdf>.

<sup>17</sup> *WIC Faces Challenges in Providing Nutrition Services* - General Accounting Office, December, 2001: <http://gao.gov/assets/240/233023.pdf>.

influenced by the receipt of State-appropriated funds and in-kind contributions. The LA budget planning process is also described, including factors considered when planning their annual budget and how funding received outside of WIC influences their budget and planning.

- Chapter V provides a high-level summary of NSA expenditures, including the amount or percentage of funds expended on SA- and local-level operations, across the four cost categories, and on each participant per month.
- Chapter VI describes costs reported by SAs in each of four key cost centers: labor and personnel; contracted services; materials, services, and travel; and indirect.
- Chapter VII describes costs reported by LAs in each of these four key cost centers.
- Chapter VIII describes factors SAs and LAs attribute to changes in their costs between FFY 2010 and FFY 2013 and examines factors that may influence NSA costs, using a data-driven approach (bivariate analysis and modeling).
- Chapter IX provides an overview of SNAP and the Temporary Assistance for Needy Families program and describes important similarities and differences between these programs and WIC.
- Chapter X provides a summary of study findings and conclusions and describes lessons learned through implementation of the WIC NSA Cost Study, as well as opportunities for future research.

Supplemental materials are provided as appendices to the report. Appendix A includes copies of the Web survey user guides that were provided to SA and LA respondents to support their completion of the survey. Appendix B includes a sample to study related communications used to inform SAs and LAs about the study and their involvement in the Web survey and/or case study. Appendices C–G provide various supplemental materials related to the study methods, such as formulas used to calculate response rates, unit and item response rates, and information on respondents. Appendix H includes copies of the case study interview guides. Appendix I includes tables that both support the findings summarized in each chapter and address study research questions. Appendix J includes a brief summary profile on each of the SAs included in the case studies.



## Chapter II: Study Methodology

This chapter describes the methods employed to meet the study research questions presented in exhibit 2.1. In general, the study methodology was designed to ensure data accuracy and completeness, particularly for key outcomes (e.g., costs per participant), and to limit respondent burden. Moreover, the data sources and data collection methods selected for the study allowed for the triangulation of quantitative and qualitative information, thus an examination not only of how NSA funds were allocated and spent in FFY 2013 but also what factors influenced the manner in which funds were expended.

### Exhibit 2.1 Study Objectives and Research Questions

**OBJECTIVE 1: Gather and analyze data on the NSA grant system to obtain a detailed and accurate picture of average NSA funds and costs at the national, State/ITO, and local levels.**

- 1.1 What are national, State/ITO, and local-agency averages for the NSA costs in the categories and subcategories described?
- 1.2. How are WIC staff salaries and benefits charged to WIC and other programs that staff may work on?
- 1.3 If a State or local agency charges indirect costs, upon what base (e.g. number of staff, computers, caseload, square feet of office space) is the applicable indirect cost rate determined?
- 1.4 How much and what kind of non-Federal cash and in-kind contributions are being provided to the WIC Program at both the State and local agency levels?

**OBJECTIVE 2: Determine the impact on NSA costs of the increased use of technology and infant formula rebates.**

- 2.1 Has the increased use of technology affected NSA expenditures and budgets and has it affected the amount spent on administrative costs as opposed to nutrition services costs?
- 2.2 To what extent will the transition of State agencies to EBT likely increase or decrease the costs of delivering food benefits to participants in both the short and long term?
- 2.3 What effect has the provision of money from infant formula rebates had on the percentage of NSA costs in the yearly WIC Federal Appropriation?
- 2.4 What is the percentage of NSA costs to the yearly WIC Total Food and NSA Costs (pre- and post-rebate)?

**OBJECTIVE 3: Determine the extent and effect of economies of scale between larger and smaller State agencies/ITOs and LAs.**

- 3.1 On what basis do State agencies allocate WIC NSA funding to their own functions and to their local agencies (e.g., funding formula, caseload)?
- 3.2 What factors help determine economies of scale for different types of NSA costs and total NSA costs (e.g., type of agency, such as hospital, county Health department, non-profit agency, type of services offered, such as collocated health services, WIC services only)? What equation describes the economy of scale curve?
- 3.3 To what extent does each State agency's administrative expenditure per person vary from the national AGP?

**OBJECTIVE 4: Establish comparisons between WIC administration costs and administration costs in similar Federal programs.**

- 4.1 WIC's NSA costs include both nutrition services and administration. If these categories were separated, how would the administration costs compare to those in other similar programs, such as SNAP, Medicaid, and TANF?
- 4.2 What subcategories do those programs include in their administrative costs? How do these compare to WIC Program subcategories?
- 4.3 Do those programs include nutrition services or other client services in their administrative costs?

Specifically, study data were obtained from three primary sources:

- 1) FNS and WIC SAs, including ITOs, were asked to provide extant data such as backup financial data reported by WIC LAs for preparation of the States' FNS-798A closeout report;
- 2) Web-based surveys from SAs and LAs were used to gather detailed information on cost categories within which their WIC NSA funds were spent; and
- 3) In-depth interviews with a sample of SAs and LAs were conducted to obtain rich, qualitative information as well as interviews with SNAP and TANF representatives from a subgroup of States selected for case study.

Each of these data sources is described in more detail below.

#### A. Extant Data Sources

FNS and SAs provided financial information that was critical to answer the research questions. Whenever possible, SA-level financial information was obtained directly from FNS in order to reduce the burden on SAs. Exhibit 2.2 provides a summary of the source, type of information, and approximate dates by which extant data was submitted to Altarum.

**Exhibit 2.2 Variables Obtained Through Secondary and Existing Data Sources, by FNS Sources**

Type of information	Submission date	Completeness of information
LA directory	August 2013	Obtained for all 90 SAs, included 1,838 LA records
Total, NSA, and food grant amounts provided to SAs in FFY 2013, including original grant amounts, operational adjustment funds, and reallocation funds	February 2014	Obtained for all 90 SAs
Total participation as reported by SAs on the FNS-798 annual closeout report	April 2014	Obtained for all 90 SAs
SNAP financial data reported on the FNS-778 annual report form	May 2014	Obtained for all 9 SNAP States included in case studies
Infant formula and infant food rebate amounts in FFY 2013 as reported by SAs on the FNS-798 annual closeout report	July 2014	Obtained for all 90 SAs
Other Federal grants provided to SAs in FFY 2013, such as grants for management information system development, EBT planning and implementation, and breastfeeding peer counselors	November 2013	Obtained for all 90 SAs
Final closeout expenditures overall and by the four major cost categories (program management, client services, nutrition education, and breastfeeding promotion and support) in FFY 2013 as reported by SAs on the FNS-798A annual closeout report	November to December 2014	Obtained for all 90 SAs

**Exhibit 2.2 Variables Obtained Through Secondary and Existing Data Sources, by SA Sources**

Type of information	Submission date	Completeness of information
Lists of active LAs	January 2014	Obtained for all decentralized ( $n = 38$ ) and combination SAs ( $n = 9$ )
NSA expenditures by the four major cost categories for each LA	June to November 2014	Obtained for all decentralized ( $n = 38$ ) and combination SAs ( $n = 9$ )
Average monthly participation for each LA	August to November 2014	Obtained for all decentralized ( $n = 38$ ) and combination SAs ( $n = 9$ )

Note: NSA expenditure data by the four major cost categories for each LA was provided for 99.6 percent of all LAs ( $n = 1,549$ ). For the seven remaining LAs, these values were obtained from their Web survey ( $n = 4$ ) or imputed ( $n = 3$ ). Average monthly participation for each LA was provided for 99.5 percent of all LAs ( $n = 1,548$ ). For the eight remaining LAs, these values were imputed.

**B. Web Survey Data**

A Web survey of SAs and LAs was conducted between June and November of 2014 to obtain detailed information about the ways in which WIC NSA funds are spent. SA respondents provided (1) general information about their service delivery system and changes in program costs; (2) detailed information on SA-level expenditures, broken out by the four cost categories; and (3) information about other sources of funding, including in-kind contributions. Similar information was provided by LAs; however, these local-level expenditures were reported in total, not broken out by the four categories. Exhibit 2.3 summarizes the type of information obtained from SAs and LAs through the Web surveys. In the following sections, we describe the eligible population of SAs, the eligible population of LAs, and the processes employed to recruit them and elicit a complete response to the survey.

**Exhibit 2.3 Type of Data Obtained from Web Surveys, by SA Web-based Survey**

Type of data	Indicators
Program demographics	<ul style="list-style-type: none"> <li>• How LAs are funded</li> <li>• Factors affecting infant formula rebates</li> </ul>
Changes in program costs	<ul style="list-style-type: none"> <li>• Factors increasing or decreasing SA-level staffing and total costs since FFY 2010</li> </ul>
Expenditures broken out by four WIC cost categories: program management, client services, nutrition education, breastfeeding	<ul style="list-style-type: none"> <li>• Labor and personnel</li> <li>• Contracted services</li> <li>• Materials, services, and travel</li> <li>• Indirect costs</li> </ul>
Other sources of funding	<ul style="list-style-type: none"> <li>• Non-Federal grant funding (e.g., State dollars allocated to WIC)</li> <li>• In-kind contributions</li> </ul>

Note: SAs that operate some or all of their local service delivery sites (combination and centralized agencies) responded to a third version of the survey which was a hybrid of the SA and LA Web surveys, allowing these agencies to report on both SA- and local-level expenditures.



**Exhibit 2.3 Type of Data Obtained from Web Surveys, by LA Web-based Survey**

Type of data	Indicators
Program demographics	<ul style="list-style-type: none"> <li>• Type of agency</li> <li>• Whether WIC provider is stand-alone</li> <li>• Services (non-WIC) provided at sites where WIC is provided</li> <li>• Whether participants are provided with support completing applications for other forms of public assistance</li> <li>• Whether costs of staff or facilities are shared with other programs</li> </ul>
Changes in program costs	<ul style="list-style-type: none"> <li>• Factors increasing or decreasing LA-level staffing and total costs since FFY 2010</li> </ul>
Expenditures <u>not</u> broken out by four WIC cost categories	<ul style="list-style-type: none"> <li>• Labor and personnel</li> <li>• Contracted services</li> <li>• Materials, services, and travel</li> <li>• Indirect costs</li> </ul>
Other sources of funding	<ul style="list-style-type: none"> <li>• Non-Federal grant funding (e.g., local dollars allocated to WIC)</li> <li>• In-kind contributions</li> </ul>

***i. Instrumentation***

The Web survey instruments were developed to address specific research questions that are of interest to FNS. Web survey content was reviewed by the study’s Peer Advisory Panel, composed of five State WIC Directors, one local WIC Director, and two ITO WIC Program Directors. Web survey instruments were developed to (1) consistently collect detailed information for use in an empirical analysis of WIC costs and (2) accommodate the diversity in operational approaches employed by SAs and LAs. In addition, the instruments were pre-tested with three SA directors and three LAs. The pre-test agencies were asked whether these data could be provided, how difficult the survey was, and how long it took to complete. As a result of the pretesting and Peer Advisory Panel recommendations, numerous iterations of the Web surveys were reviewed and refined over an extended period before they were finalized, submitted, and approved by OMB. Once approved by OMB, prior to distribution, the instruments were pretested again for functionality and usability.

A description of the steps taken to reduce respondent burden is provided in section B.iv, and additional detail on quality control checks that were programmed into the instruments are described in section B.viii. Screenshots of the instruments are provided in appendix A within the user’s guides.

***ii. Eligible population of SAs***

The eligible SA-level study population included all WIC SAs ( $n = 90$ ). The sampling design was a census. In this context, a census refers to the population of agencies that is eligible to respond to the survey; it does not indicate, nor is it meant to imply, that a 100 percent response rate is expected. Another way to describe “census” in this context is that 100 percent of SAs were sampled and contacted about the study. As previously described, these 90 agencies represented 50 States, the District of Columbia, five Territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands), and 34 ITOs that are organized into seven geographic FNS regions. SAs were categorized into one of three categories based on their operational structure and were assigned the appropriate version of the survey:

- **Centralized SAs** operate and staff local service delivery sites ( $n = 43$ ; 47.8 percent). Most ITOs and SAs operated by Territories fall into this category. These agencies responded to a version of the survey that allowed them to provide detail on both SA- and local-level program characteristics and expenditures (called the combination Web survey).
- **Decentralized SAs** contract with LAs for local service delivery ( $n = 38$ ; 42.2 percent). These agencies responded to a version of the survey that requested detail only on SA-level program characteristics and expenditures (called the SA Web survey).
- **Combination SAs** are a hybrid of a centralized and decentralized structure ( $n = 9$ ; 10.0 percent). These agencies operate and staff some local service delivery sites but also contract with one or more LAs for the provision of local services. Like centralized SAs, these agencies responded to the combination Web survey. However, when reporting on local-level expenditures, these SAs were asked to provide detail in aggregate and only with regard to the local services delivery sites they operate; the LAs with which they contract received the local survey (described in the next section) and reported on their own expenditures.

Representatives from FNS Regional Offices confirmed the operational structure of each SA in their region before the survey was fielded.

### *iii. Eligible population of LAs*

The eligible local-level study population included all WIC LAs. The sampling design was a census. In this context, a census refers to the population of agencies that is eligible to respond to the survey; it does not indicate, nor is it meant to imply, that a 100 percent response rate is expected. Another way to describe “census” in this context is that 100 percent of LAs were sampled into and contacted about the study. In August 2013, FNS provided a directory that it maintains of all WIC LAs. The directory included a total of 1,838 LA records and served as the starting point for identifying the eligible population.

Next, updated LA lists were requested from each decentralized and combination SA in January 2014, and these were reconciled with the LA directories provided by FNS. To reconcile this information, LA names were compared between the lists within each State. When agency names were the same or very similar on both lists and the addresses for the agencies were the same, they were identified as a match. If there was a question about two agencies matching (e.g., the address was the same, but the name was not; the names were the same, but the address was not), the SA was contacted for clarification. When a record existed on the list provided by the SA but was not found in the FNS directory, it was added to the database. When an agency record in the FNS directory did not have a match on the SA-provided list, the agency was marked as inactive and effectively removed from the database, since only those agencies that were active at the time of survey administration would have staff available to respond to a survey about FFY 2013 expenditures. Because LAs can close, merge, and change names at any point during the year, this reconciliation process was not straightforward, thus might not have yielded a perfect list. It took a substantial level of effort to follow up with SAs and to clarify inconsistencies.

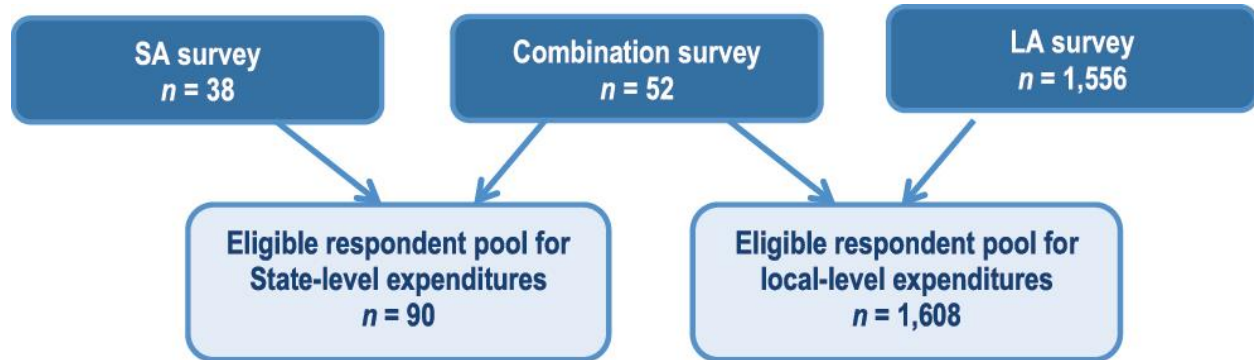
Once the reconciliation process was complete, it was necessary to differentiate between LAs and local service delivery sites in centralized and combination SAs, since the FNS directory and some SA-provided LA lists included both types of entities. During the pretest of data collection instruments, SAs that administer local program services indicated that they do not treat their SA-run sites like LAs; instead, all sites are budgeted and administered as a single entity under the umbrella of the SA. As a result, it was determined that two versions of the Web survey would be needed to adequately capture expenditures from SAs that administer some or all of their local programs (centralized and combination SAs) and SAs that contract out all of their local services (decentralized). Sites identified as SA-run were deemed ineligible and effectively removed from the LA database that was used for study purposes.

The final eligible respondent pool for the local survey comprised 1,556 LAs. For study purposes, SAs with a centralized or combination structure ( $n = 52$ ) were also counted as LAs, since they are responsible



for providing direct services within their State either in part or in full and are herein called SA-run LAs. In sum, 1,608 agencies were eligible to provide local-level expenditure data; 1,556 LAs were eligible to provide this information through the local survey, and 52 SA-run LAs (9 combination SAs and 43 centralized SAs) were eligible to provide this information through the combination Web survey (Exhibit 2.4).

**Exhibit 2.4 Relationship Between Web Survey Types and Eligible Respondent Pools**



*iv. Web survey data collection procedures*

Data collection for the Web survey began in June 2014 and ended in November 2014. This time frame was considered ideal for several reasons:

- 1) SAs would have their final FFY 2013 year-end financial information available to aid them with completion of the survey;
- 2) SAs could complete the survey before embarking on the preparation of FFY 2014 year-end financial reporting to FNS, thereby minimizing overlap and potential confusion; and
- 3) It minimized overlap and potential confusion with another FNS-funded national survey that was launched in late fall 2014.

Prior to fielding the Web surveys, SAs were informed of the study and associated data requests via email. SAs were also provided with a draft notice that they could forward to their LAs to inform them of the study and forthcoming survey invitation. Copies of these communications can be found in appendix B. Announcements about the study were also made at the National WIC Association’s Annual Networking and Training Conference in May 2014 during the SA and LA sections’ meetings.

All SAs and LAs were sent the official study email invitation, informing them of the start of Web survey data collection. The email provided the Web link to the survey, a unique ID, and a password. Each site had a single unique ID and password; if multiple staff members in an LA needed to complete sections of the survey, only one ID and password were required. Agencies had the option to print out the survey to distribute sections to various staff members, with one staff member entering the survey responses into the online survey tool, or multiple individuals could enter data into the survey. Additionally, a Spanish-language survey instrument was developed for Puerto Rico.

Survey help desk support was provided on all weekdays throughout the data collection period when SAs and LAs were completing the survey. Survey respondents contacted the help desk via a toll-free phone number or study email address for technical issues associated with accessing the survey or submitting responses and for substantive questions about how to complete the survey. In addition to help desk support, the Web survey included a link to a printable user’s guide and help text pop-ups that provided additional context for the information being requested.

Numerous nonresponse follow-up strategies were implemented to increase response rates over the course of data collection:

- Sent nonresponse follow-up emails to SAs and LAs in two waves,
- Added a read-receipt to the LA nonresponse follow-up email,
- Added a personalized subject line to LA nonresponse follow-up email to decrease the likelihood of being blocked by spam filters,
- Developed and specialized answering machine scripts that were utilized when help desk staff were not immediately available, and
- Made follow-up calls and sent emails to all nonrespondents who had contacted the help desk for assistance.

In addition, technical experts followed up via email and phone with every SA that did not fully respond by the survey deadline. The purpose of this follow-up was to notify nonresponders that they had additional time to complete the survey, inquire about help needed, and provide a personal point of contact. SAs were also provided with a list of their nonresponding LAs in their State and asked to encourage these agencies to respond. The National WIC Association included a message in their Monday Morning Report to communicate the importance of the study and to encourage SA and LA response. The California WIC Association also included messages in two of its newsletters to encourage LA response. These efforts greatly enhanced both SA and LA response in the final weeks of survey administration. Since ITOs are typically underrepresented in national surveys and response among this group was initially quite low, each nonresponding ITO received at least two calls following the survey deadline to encourage response.

#### **v. Survey response**

The design of the survey required respondents to confirm and validate each individual screen when completed and then confirm final submission when all screens were completed. Because of this design, each confirmed screen can be considered submitted and two types of respondents were defined:

1. Agencies validating the entire survey are called “full responders.”
2. Agencies validating at least the demographics screen are called “partial responders.”

Partial responders generally validated several screens before stopping the survey (Exhibit 2.5 for list of survey screens). SA partial responders validated an average of 6.8 out of 11 screens, and LA partial responders validated an average of 5.7 out of 12 screens. The survey allowed respondents to go back and change entries on screens that had been previously validated, so long as they had not completed the final validation and confirmation of the entire survey. Because of the nature of the data requested on costing screens in particular, respondents may have planned to go back and change entries even after validating the screen. However, this is unlikely the case for the demographics screen, since the information requested on that screen is readily available to respondents; therefore, it was unlikely that the respondent would need to correct responses on this screen once validated and confirmed. Therefore, to maximize the use of data submitted by respondents while ensuring high-quality data, only the data from the demographics screen was used for partial responders.

**Exhibit 2.5 List of Web Survey Screens**

Screen	SA Survey	LA Survey
1	Agency Information (pre-populated)	Agency Information (pre-populated)
2	Program Demographics	Program Demographics
3	Changes in Program Costs	Services Provided
4	Labor/Personnel	Changes in Program Costs
5	Contracted Services	Labor/Personnel
6	Materials, Services, and Travel	Contracted Services
7	Indirect Costs	Materials, Services, and Travel
8	Other Sources of Fundings	Indirect Costs
9	In-Kind Contributions	Other Sources of Fundings
10	Cost Reduction Strategies	In-Kind Contributions
11	Confirmation	Cost Reduction Strategies
12	n/a	Confirmation

Survey response rates were calculated using the OMB response rate formula (appendix C). For the SA survey, the response rate including full responders and partial responders is 86 percent; the response rate including only the full responders is 74 percent. For the LA survey, the response rate including full responders and partial responders is 80 percent; when including only the full responders, the response rate is 65 percent (Exhibit 2.6). Since the Web survey aimed to capture detailed information on SA- and local-level expenditures, another way to express survey response is in terms of the percentage of total NSA expenditures that are accounted for by responding agencies. For the SA survey, full responders account for 90.5 percent of all SA-level NSA expenditures. For the local survey, full responders account for 69.4 percent of all local-level NSA expenditures.

**Exhibit 2.6 Number and Percentage of SA and LA Respondents, by Respondent Type**

Respondent type	<i>n</i>	Percent SAs	<i>n</i>	Percent LAs
<i>Total eligible population</i>	90	100.0	1,608	100
Nonresponders	13	14.4	320	19.9
Partial responders	10	11.1	236	14.7
Full responders	67	74.4	1,052	65.4

**vi. Nonresponse bias analysis**

Nonresponse bias is the bias that results when respondents differ in meaningful ways from nonrespondents. As previously described, quantitative data were obtained from existing data sources and the Web-based surveys. The degree to which data are missing varies by the source and type of data. For example, extant financial data obtained from FNS and WIC SAs are complete, whereas primary data gathered through the Web surveys are less complete because of nonresponse. Two types of survey nonresponse (unit nonresponse and item nonresponse) are described in the following sections.

**Unit nonresponse**

Unit nonresponse occurs when the sampled unit (agency in this case) did not respond at all and is considered a nonresponder. Nonresponse-adjusted weights are designed to correct for this type of nonresponse and potential bias. According to the OMB standards, nonresponse bias analysis is required if the response rates are less than 80 percent.

As previously described, the sample design for the WIC NSA Cost Study Web surveys was a census, thus every SA and LA was eligible to be in the study and all were sent a Web survey (a description of the process used to identify the LA population was described previously in section II.B). Because a census of

agencies was selected for the survey, the probability of selection was equal to 1 and the sampling weight for all the agencies was also equal to 1. Despite efforts to secure a response from all SAs and LAs there were some nonresponding SAs and LAs.

A nonresponse bias analysis was conducted for both the SA and LA surveys to evaluate the potential for bias when only the full responders are retained. Our ability to estimate the degree of bias due to nonresponse depends on having variables that reflect key characteristics of respondents and for which few or no data are missing for both respondents and nonrespondents. Exhibit 2.7 presents the list of frame variables used in the nonresponse bias analysis and nonresponse weight adjustments (because these variables are known for both responding and nonresponding agencies).

**Exhibit 2.7 Frame Variables Used in the Nonresponse Bias Analysis and Nonresponse Weight Adjustment Models, by SA-level Variables**

SA-level variables	Description
<b>FNS region</b>	FNS region
<b>Agency cost and size</b>	Small, medium, large, ITO, and high-cost
<b>EBT status</b>	Yes/no
<b>Total NSA expenditures</b>	Continuous

**Exhibit 2.7 Frame Variables Used in the Nonresponse Bias Analysis and Nonresponse Weight Adjustment Models, by LA-level Variables**

LA-level variables	Description
<b>Agency size</b>	3-level categorical variable (small, medium, or large) created after carefully reviewing participation data to identify logical cut points
<b>EBT status</b>	Yes/no
<b>Metropolitan statistical area (MSA)</b>	Micropolitan statistical area, MSA, neither micropolitan statistical area nor MSA, and State
<b>Total NSA expenditures</b>	Continuous
<b>Average monthly participation</b>	Continuous

Note: An MSA status could not be assigned for combination and centralized SA-run LAs, since, unlike a LA with which SAs contract, they provide services throughout the State; therefore, a fourth category was added to the MSA variable to avoid assigning these unique agencies a missing value.

The first step in the nonresponse bias analysis was to calculate the response rates for the SA and LA surveys by the variables listed in exhibit 2.7 (Appendix D for the response rates). Next, the distributions of the SA and LA populations were compared to the distribution of survey responders, respectively. Finally, nonresponse bias was calculated as the difference between the mean of the respondents and the population means (OMB, 2006) and tested for significance.<sup>18</sup> For example, consider the data presented from the LA survey in exhibit 2.8. Thirteen percent of the LAs are in EBT States, but 14 percent of responding LAs are in EBT States; thus, the calculated bias is 1 percent.

<sup>18</sup> The bias formula from the OMB standards is the difference between the mean of the respondents and the mean of the sample. Because the survey design was a census, the mean of the population was used instead of the mean of the sample.

## Exhibit 2.8 Example of Bias Analysis for EBT Status

EBT Status	Distribution of population	Distribution of respondents	Estimated bias
Yes	0.13	0.14	0.01
No	0.87	0.86	-0.01

After creating the weights adjusted for nonresponse (described in section B.vii), we reexamined the distributions for the respondents using the nonresponse adjusted weights to ensure they are more similar to or the same as the distributions for the SA and LA populations. The bias calculations and tests for significance were repeated using the nonresponse bias adjusted weights. The SUDAAN<sup>®</sup> procedure DESCRIPT (RTI International, 2012) was used to determine whether the estimated biases are significant at the 5 percent level.<sup>19</sup>

For the SA-level survey, results of the nonresponse bias analysis revealed minimal bias when comparing the population distributions to the unweighted respondent distributions. Bias estimates bordered on significance for the Mountain Plains Region ( $p$ -value = 0.0504) among full responders and for small SAs ( $p$ -value = 0.0587) among partial responders.

For the LA survey, no bias was found when comparing the population distributions to the unweighted respondent distributions for partial responders. Bias estimates were significant for SA-run LAs ( $p$ -value = 0.0079) and for LAs with EBT ( $p$ -value = 0.0329) and without EBT ( $p$ -value = 0.0329) when comparing the population distributions to the unweighted respondent distributions for full responders whose reported costs were deemed valid (within 10 percent of expenditures). See appendix E for tables showing the population distributions, unweighted respondent distributions, estimated bias, and  $p$ -value from the significance test of the estimated bias.

For both the SA- and local-level surveys, the weighted respondent distributions or means for all the variables included in the nonresponse bias analysis are the same as the population distributions for both partial and full responders. This indicates that the final analysis weights have completely corrected potential bias for the variables included in the nonresponse bias analysis. Results of the nonresponse bias analysis utilizing the final analysis weights are also provided in appendix E.

### **Item nonresponse**

Item nonresponse occurs when a responder decides not to respond to a specific question. Imputation—the process of replacing missing data with substituted values—can be used to address this type of nonresponse. This can be important, because when regression analyses are run, any record with a missing value for any of the variables in the model will be deleted from the set of records included in the regression. Thus, imputation is often performed on a set of core questions that will be used as predictor variables in planned regression models. The Web survey was designed, however, to require responses for all questions before allowing the respondent to continue. Because of this design feature, item response rate for most of the questions is 99 percent or higher; thus imputation was not necessary. Exhibit 2.9 shows the distribution of item response rates for the SA and LA surveys. For the SA survey, 52.7 percent of all items had a response rate greater than 99 percent. For the LA survey, 76.6 percent of all items had a response rate greater than 99 percent. For both SAs and LAs, no items had a response rate lower than 92 percent. Appendix F contains the response rate for each individual question.

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<sup>19</sup> Although the individual error rate for the tests is 0.05, the family-wise error rate will be much larger. The family-wise error rate is the probability of incorrectly rejecting the null hypothesis when the alternative hypothesis is true when conducting multiple hypothesis tests. However, because this was an exploratory analysis and it was important to identify all potential bias, the significance level remained at 0.05 for all the tests instead of adjusting it downward to control the family-wise error rate.

## Exhibit 2.9 Item Response Rate Frequency

Item response rate	Percentage of items on SA survey	Percentage of items on LA survey
greater than 99%	52.7%	76.6%
greater than 98%	80.5%	85.1%
greater than 97%	88.9%	85.1%
greater than 96%	88.9%	97.9%
greater than 95%	88.9%	97.9%
greater than 94%	94.4%	97.9%
greater than 93%	94.4%	97.9%
greater than 92%	100%	100%

### vii. Weighting

The potential for nonresponse bias is introduced when survey respondents differ systematically from the population as a whole with respect to characteristics used in an analysis. Weighting was used to counterbalance missing data due to nonresponding agencies, thereby reducing nonresponse bias.

After assessing the potential for bias as described in the previous section, final analysis weights were calculated for the SA and LA surveys. The final analysis weights are the product of the sampling weights and a nonresponse bias adjustment factor. Since we selected a census, our sampling weights equal 1 for all SAs and LAs; thus, the final analysis weights equal 1 times a nonresponse bias adjustment factor. The nonresponse bias adjustment factor was created using the SUDAAN<sup>®</sup> procedure WTADJUST (RTI International, 2012). This procedure uses a constrained logistic model to calculate the probability of response. The nonresponse adjustment is the inverse of the probability of response. Included in the logistic models as predictor variables are the variables listed in exhibit 2.7.

The WTADJUST procedure is designed so that the sum of the nonresponse-adjusted final analysis weights equals the population totals. Two sets of weights were created, one for the full responders and one for the full plus partial responders. Analyses conducted on the demographic questions used the weights for the full plus partial responders and analyses conducted on the remaining questions used the full responder weights.

The *SUDAAN Language Manual, Volumes 1 and 2, Release 11* provides the exact formula for the weight adjustment factors calculated by WTADJUST. Appendix G provides the formula.

### viii. Cleaning and editing survey data

The Web survey was designed to perform automated checks on the accuracy of data as respondents entered it, alerting users when data were inconsistent and prompting them to correct the entry. These checks include requiring responses to all survey questions, ensuring that line items in cost tables contain both total costs and quantities or percentages where relevant, and requiring all percentages to fall into a feasible range. These checks were performed when the user validated each submission screen. The user was unable to submit the survey without validating all the screens.

Although these validation benchmarks serve a critical role in promoting high-quality data entry, they must be balanced with the added burden they place on respondents. In the case of cost surveys, the comparison of aggregate costs reported through survey responses with aggregate costs reported via other means is valuable for helping respondents determine whether they have omitted data; however, in some cases, it may be difficult to make these cost data values exactly equivalent. Therefore, in an effort to balance the improved data quality from validation checks with added burden that would be placed on respondents, the WIC NSA Cost Study surveys were designed to allow for a 10 percent variation between survey cost data and Federal or SA expenditure reports. This threshold was selected because it has been vetted, approved,



and used in cost studies of the Centers for Disease Control and Prevention's Communities Putting Prevention to Work and Community Transformation Grants programs.

Prior to performing tabulations, data collected through the Web surveys was reviewed for potential inconsistencies and inaccuracies. Specifically, combinations of data elements were examined to identify areas where quality of the data may be of concern (e.g., labor cost per full-time equivalent, ratio of in-kind contributions to total NSA expenditures, ratio of other sources of funds to total NSA expenditures). The distribution of these measures was examined to identify extreme outliers, defined as 4 or more standard deviations above the sample mean. Less than 1 percent of all of these measures qualified as extreme outliers. Detailed data for these extreme outliers was reviewed to determine whether there was an obvious data entry error, such as a mistype or an extra "0." In all cases, there was no obvious data entry error, so data were retained as reported by the agency.

Additionally, total reported costs from the survey were compared to existing data on total reported expenditures for survey full responders (SAs and LAs that confirmed and submitted their surveys). Based on this review, 26 of the 67 SA full responders had reported costs that were not within 10 percent of their total Federal expenditures (based on existing data provided by FNS). These agencies were contacted and asked to provide data corrections or clarify reasons for the discrepancy. Based on information gleaned from this additional communication, some expenditure data reported by 17 SAs/ITOs were corrected or omitted. Additionally, a number of SAs/ITOs indicated that the reason their SA-level costs reported on the survey exceed the SA-level expenditures reported to FNS is that some of these costs were reported on the FNS-798A as local-level expenditures. Although data corrections were not necessary in these cases, a note regarding the interpretation of expenditure data is included in chapter VI which describes the results of analyses performed relative to SA-level cost centers.

A total of 284 of the 1,052 LA full responders also had reported costs that were not within 10 percent of their total Federal expenditures (based on existing data provided by SAs on behalf of their LAs). Rather than seeking clarification, these LAs were excluded from cost-related data tabulations. This approach helped to minimize SA and LA response burden and did not compromise the analysis because a sufficient number of respondents were retained in the analysis to meet required precision levels.

### **C. Case Study Data**

Case studies were conducted with 14 SAs between July and October of 2014 to supplement the financial information gathered from FNS and WIC SAs and LAs and subsequently gain an understanding of the various factors that influence WIC costs and changes in these costs over time. In-depth interviews were conducted with representatives from each of the 14 WIC SAs and with two to three LAs from each State, where applicable, using interview guides that were approved by OMB. Representatives from the SNAP and TANF programs in 9 of the 14 States were also recruited to participate in an interview. Exhibit 2.10 summarizes information gathered through the case studies. Additional information on State selection and recruitment and data collection are provided in the following sections.

**Exhibit 2.10 Summary of Information Gathered Through Case Study Interviews by Respondent Type**

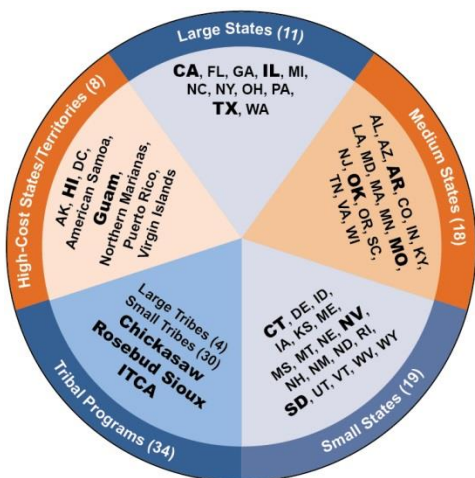
Respondent type	Types of information gathered through case study interviews
<b>WIC SAs</b>	<ul style="list-style-type: none"> <li>• Budgeting and planning for NSA funds</li> <li>• Factors influencing NSA costs and expenditures</li> <li>• Other funds and their impact on NSA expenditures</li> <li>• Relationships with other programs</li> </ul>
<b>WIC LAs</b>	<ul style="list-style-type: none"> <li>• LA organization and administrative structure</li> <li>• Program budgeting</li> <li>• Expenditures and program costs</li> </ul>
<b>SNAP and TANF program representatives</b>	<ul style="list-style-type: none"> <li>• Organizational structure and staffing</li> <li>• Sources of funding</li> <li>• Factors influencing cost of program</li> <li>• Cost allocation methods</li> </ul>

*i. Case study State selection and recruitment*

Because the goal of the case studies was to gain an in-depth understanding of State cost allocation to specific program areas and the factors that influence these allocations, SAs were grouped into five cost and size categories deemed important to understanding NSA costs and for purposes of case study selection (Exhibit 2.11):

- **High-cost SAs** have unique geographic or political governance features ( $n = 8$ ).
- **Large SAs** have total funds greater than 2 percent of national NSA funding ( $n = 11$ ).
- **Medium SAs** have more than 1 percent but at most 2 percent of national NSA funding ( $n = 18$ ).
- **Small SAs** have at most 1 percent of national NSA funding ( $n = 19$ ).
- **ITOs** have unique funding and program administration issues ( $n = 34$ ).

**Exhibit 2.11 SA Cost and Size Categories**



Fourteen SAs were selected for case study inclusion—three from the small, medium, large, and ITO categories and two from the high-cost group. Numerous factors, such as the SA structure (decentralized, centralized, or combination), number of LAs, benefit delivery method (paper food instrument or EBT), and FNS region, were considered when selecting SAs from each group. FNS approved the final list of case study SAs.



### ii. Case study SA recruitment

In April 2014, each agency was initially contacted by email and then via teleconference call to recruit them into the case study sample. Only 1 of the 14 agencies did not participate. An alternate SA with similar characteristics was immediately identified and successfully recruited into the study (Exhibit 2.12).

**Exhibit 2.12 Select Characteristics of 14 SAs Recruited Into the Case Study**

Cost/size category	Centralized	Decentralized	Combination	Total
Large	-	California, Texas, Illinois	-	3
Medium	Arkansas	Missouri	Oklahoma	3
Small	-	Connecticut, Nevada	South Dakota	3
ITO	Rosebud Sioux, Chickasaw Nation	Inter-Tribal Council of Arizona, Inc.	-	3
High-cost	Guam	-	Hawaii	2
<b>Total</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>14</b>

### iii. Case study data collection

Case study interviews took about 30–60 minutes to complete depending on the respondent type. Interviews with WIC staff and SNAP representative were conducted primarily in person by two study team members who were familiar with the programs and trained and experienced in conducting in-depth interviews; TANF interviews were conducted by the same trained staff but by telephone only. Each case study interview was captured using a digital recorder, and detailed notes were documented for analysis purposes. A copy of the interview guides is provided in appendix H. When successful in obtaining a TANF interview, a copy of the annual financial report (ACF-196 form) submitted by the State to ACF for FFY 2013 was also requested. Similar financial data was obtained directly from FNS for SNAP.

## D. Data Analysis

### i. Quantitative analysis

All quantitative data analysis was conducted using SAS version 9.3 (SAS Institute, Cary, NC). Univariate statistics were produced from extant and Web survey data and used to describe the study population. Bivariate analyses were conducted to determine which agency characteristics were associated with outcomes of interest (see *Dependent variables* section) and to measure and test for between-group differences. Estimates with a relative standard error greater than 30 percent are identified in data tables as unreliable and are not reported in the narrative.

Pearson’s chi-squared test statistic was used for dichotomous independent variables, and the Mantel-Haenszel chi-squared test statistic was used for categorical variables when examining associations with dichotomous outcome variable (e.g., whether LA shares staff by LA size). For continuous outcome variables, general linear models were used to examine between-group differences for independent variables with a Tukey adjustment for multiple comparisons.

Statistical models were developed to explore economies of scale using both extant and survey data. To measure economies of scale for SAs, the following regression equation was estimated:

$$\text{Cost per participant} = \beta * f(\text{number of LAs})$$

Different specifications of the function  $f(\text{number of LAs})$  were tested, including linear, quadratic, and cubic. Measures of model fit were used to determine the best representation of economies of scale for NSA costs at the SA level.

To measure economies of scale for LAs, the following regression equation was estimated:

$$\text{Cost per participant} = \beta * f(\text{caseload})$$

Again, different specifications of the function  $f(\text{caseload})$  were tested, including linear, quadratic, and cubic, and measures of model fit were used to determine the best representation of economies of scale for NSA costs among LAs. For local services, the influence of agency type and the services offered on economies of scale was also explored by estimating the regression equation and stratifying by these factors.

When analyzing data from the Web surveys, the final analytic weights which correct for nonresponse bias were used to ensure estimates are representative of the population. In these cases, unweighted sample sizes and weighted proportions are reported.

#### Dependent variables

Extant data on NSA expenditures—the primary outcome of interest for the study—were examined in terms of total dollars expended, monthly dollars expended, and proportion of dollars expended (e.g., on key cost centers or in the four WIC cost categories) and on a per-participant basis. The latter is a common and useful way to compare costs between entities. To calculate various costs per participant, costs were divided by annualized average monthly participation. Participation data obtained from the FNS-798 report were used when calculating costs per participant at the SA level, and LA participation data supplied by SAs were used when calculating costs per participant at the local level.

#### Independent variables

Independent variables were derived from WIC SA and LA characteristics that are readily available through existing sources or reported primarily in the survey demographic sections of the Web survey (Exhibit 2.13).

**Exhibit 2.13 Independent Variables for the WIC NSA Cost Study, SA-level independent variables**

Variable	Variable description
<b>Agency size</b>	Small, medium, large, or ITO
<b>Agency structure</b>	Centralized (State agencies), centralized (ITO), decentralized, or combination
<b>Agency type</b>	State agency/ITO
<b>EBT status</b>	Yes/no
<b>FNS region</b>	Northeast, Mid-Atlantic, Southeast, Midwest, Mountain Plains, Southwest, or Western
<b>Receipt of in-kind</b>	Yes/no

Note: SA size was determined based on FFY 2013 NSA expenditures. Large SAs contributed more than 2 percent of total Federal NSA expenditures; medium SAs contributed more than 1 percent and up to 2 percent of total Federal NSA expenditures; small SAs contributed 1 percent or less of total Federal NSA expenditures; and ITOs were retained as a separate group, since they have unique funding and program administration issues.

**Exhibit 2.13 Independent Variables for the WIC NSA Cost Study, Local-level independent variables**

Variable	Variable description
<b>Agency size</b>	Small, medium, or large
<b>Agency type</b>	SA-run, local government, local nongovernment, or ITO
<b>EBT status</b>	Yes/no
<b>FNS region</b>	Northeast, Mid-Atlantic, Southeast, Midwest, Mountain Plains, Southwest, or Western
<b>Receipt of in-kind</b>	Yes/no

Note: LA size was determined by reviewing the distribution of LA participants across all agencies and identifying logical cutpoints.

## *ii. Qualitative analysis*

The NVivo 10 software program (QRS International, Victoria, Australia) was used to code qualitative data from detailed interview notes. Prior to being imported into NVivo 10, each note file for the interviews was reviewed for completeness and renamed to reflect the respondents' case study State, type of agency (SA, local, SNAP, or TANF), size, and structure to ensure that responses from like agencies were grouped together in the NVivo output for ease of analysis and interpretation of themes by these factors.

During analysis in NVivo, a coding outline reflecting the interview guide questions and subquestions was developed to capture and organize responses. Each interview was then coded according to this outline, and the coded responses were exported from NVivo for review. The coded text was reviewed and summarized according to the main topic areas of the discussion guide and the final report and with a focus on recurring ideas and thoughts as well as to opposing viewpoints. Key findings from the interviews were synthesized with the findings from the quantitative analysis to create a complete picture of NSA budgeting, costs, factors that influence costs, and other topics of interest. Some caution is appropriate when interpreting analyses of qualitative interviews, however. The same interview guide was used for all the interviews conducted with specific respondent groups, but the individual dynamics of an in-depth, qualitative interview can guide each discussion in unique ways. While it was possible to identify which themes and subtopics were more common than others, it was not possible or appropriate to report what percentage of interview participants agreed or disagreed with a given theme or topic, given the sometimes divergent nature of discussions in qualitative interviews.



### A. State Agency Characteristics

The eligible State agency-level study population included all State agencies and ITOs (collectively referred to as SAs throughout the report). As previously described, these 90 agencies are comprised of 50 States, the District of Columbia, five Territories (American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands), and 34 ITOs that are organized into seven geographic FNS regions. This section describes the SA population in terms of size, structure, age of their MIS, and EBT status. Additional tables related to this section can be found in appendix I-1.

#### i. Size

For analysis purposes, each SA operated by a State health department was grouped into one of three size categories based on the percentage it contributes to total Federal NSA expenditures.<sup>20</sup> SAs operated by an ITO were included as a fourth category:

- Large SAs contributed more than 2 percent to total Federal NSA expenditures ( $n = 14$ ).
- Medium SAs contributed more than 1 percent and up to 2 percent to total Federal NSA expenditures ( $n = 16$ ).
- Small SAs contributed one percent or less to total Federal NSA expenditures ( $n = 26$ ).
- ITOs were retained as a separate group, since they have unique funding and program administration issues ( $n = 34$ ).

#### ii. Structure

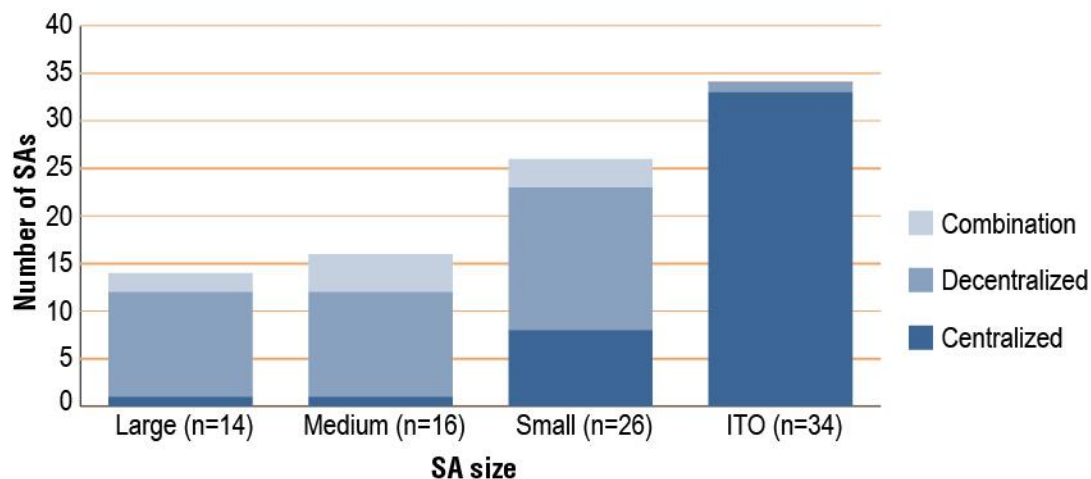
Another important factor to consider when examining NSA costs is SA structure. Nearly 48 percent of SAs have a centralized structure; that is, the SA operates and staffs local service delivery sites (47.8 percent). Most ITOs and SAs operated by U.S. Territories fall into this category (Exhibit 3.1). More than 42 percent of SAs have a decentralized structure whereby they contract with LAs for local service delivery (42.2 percent). The remaining 10 percent of SAs are considered to have a “combination” structure—one that is a hybrid of truly centralized and decentralized structures. For example, Oklahoma operates most of its sites directly through county health departments. However, it also contracts with 14 LAs to provide services in areas where there is not a county health department. The number of LAs with which combination and decentralized SAs contract varies. In FFY 2013, the number of LAs per SA ranged from 1 to 110.

As depicted in exhibit 3.1, most small, medium, and large State agencies have a decentralized structure (57.7, 68.7, and 78.6 percent, respectively), however, each State agency size grouping includes at least one agency with a centralized structure and at least two agencies with a combination structure. Most ITOs, on the otherhand, have a centralized structure (97.1 percent). Only one ITO has a decentralized structure.

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<sup>20</sup> SAs previously identified as high-cost were grouped into a size category for analysis purposes, primarily because (1) this group included only a small number of SAs and (2) WIC participation and NSA costs varied widely within this group. For example, Guam is one of the smallest SAs, while Puerto Rico is one of the largest SAs, yet both were included in the high-cost category, because they are islands.

### Exhibit 3.1 WIC SA Size and Structure



Note: SA size was determined based on FFY 2013 NSA expenditures. Large SAs contributed more than 2 percent of total Federal NSA expenditures; medium SAs contributed more than 1 percent and up to 2 percent of total Federal NSA expenditures; small SAs contributed 1 percent or less of total Federal NSA expenditures; and ITOs were retained as a separate group, since they have unique funding and program administration issues. Centralized SAs operate and staff local service delivery sites. Decentralized SAs contract with LAs for local service delivery. Combination SAs are a hybrid of a centralized and decentralized structure.

#### iii. EBT status

By the end of FFY 2014, 19.5 percent of SAs reported full implementation of EBT, 1.0 percent were piloting EBT, 64.6 percent were in the planning phase, and 3.6 had not started EBT planning.<sup>21</sup> Since the focus of the survey was on costs incurred and changes in costs relative to FFY 2013, however, it may be more important to consider the SA's EBT status during this time frame. By the end of FFY 2013, 87.8 percent of SAs were still issuing paper food instruments, while the remaining 12.2 percent of agencies had fully implemented an EBT system (Exhibit 3.2).<sup>22</sup>

<sup>21</sup> Based on a weighted estimate of survey full responders. SAs responded to the Web survey between June and November 2014.

<sup>22</sup> FNS Web site, updated November 2013.

## Exhibit 3.2 Map of WIC SAs with EBT in the Contiguous U.S., FFY 2013



Source: FFY 2013 FNS administrative data.

### iv. Age of MIS

SA survey respondents also reported on the age of their MIS. At the time of survey completion, 30.1 percent of SAs reported that their MIS was more than 15 years old, 17.0 percent reported it as 10–15 years old, 29.1 percent reported it as 5–9 years old, and 23.8 percent reported it as 1–4 years old.

## B. Local Agency Characteristics

The eligible local-level study population included all WIC LAs. For study purposes, SAs with a centralized or combination structure were counted as LAs, since they are responsible for providing direct services within their State either in part or in full and are referred to herein as “SA-run” LAs. Because SA-run LAs were asked to report only on local salaries and benefits, their reported local-level costs are not comparable to LAs with which SAs contract; thus, they are excluded from most local-level analyses. This section describes the LA population in terms of size, type, and colocation of WIC services. Additional tables related to this section can be found in appendix I-1.

### i. Size

For analysis purposes, each LA was grouped into one of three size categories based on average monthly participation obtained directly from SAs:

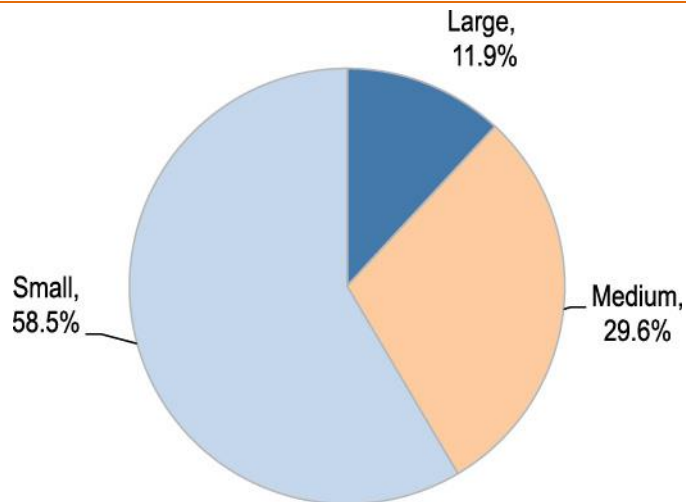
- Large LAs served an average of more than 9,000 participants monthly.
- Medium LAs served an average of 2,501–9,000 participants monthly.
- Small LAs served an average of 2,500 or fewer participants monthly.

Size category cutpoints were determined by first reviewing the distribution of average monthly participation across all LAs and then attempting to identify natural cutpoints while also ensuring the



number of LAs in each group was sufficient for subgroup analysis. The majority of LAs were categorized as small based on this definition (58.5 percent), while 29.6 percent were categorized as medium and only 11.9 were categorized as large. Exhibit 3.3 presents the proportion of LAs falling into each size category.

**Exhibit 3.3 Percentage of LAs in Each Size Category**



Source: FFY 2013 SA administrative data. Note: LA size is based on average monthly participation. Small agencies served 2,500 or fewer participants, medium agencies served more than 2,500 but at most 9,000 participants, and large agencies served more than 9,000 participants per month on average.

**ii. Type**

On the Web survey, LAs were asked to identify which of the descriptions listed in exhibit 3.4 best described their agency. LAs also had the ability to write in other responses if none of these responses adequately described their agency. For analysis purposes, these agency types and many of the other responses provided by LAs were recoded into one of three agency type categories:

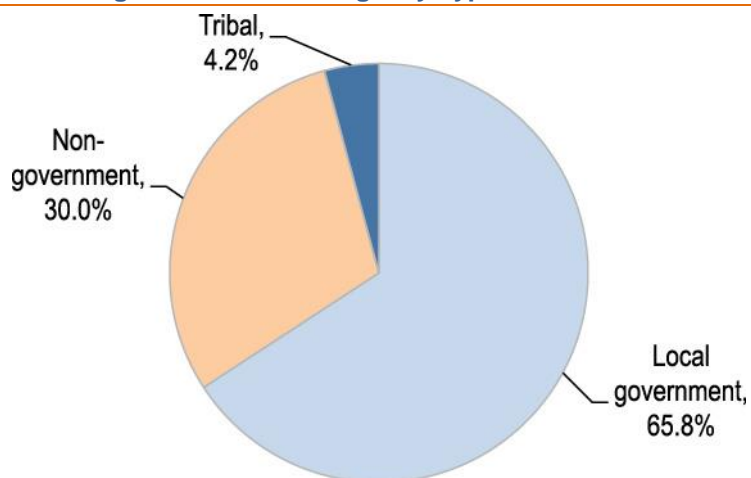
**Exhibit 3.4 LA Types**

- City or county health department or agency
- Nonprofit WIC-only agency
- Private, nonprofit community health care agency
- Hospital
- Other
- Tribal, health care, or social service agency

- Local government, which comprises city and county health departments or agencies;
- Nongovernment, which comprises nonprofit WIC-only agencies, private nonprofit community health care agencies, hospitals, and other agency types (e.g., nonprofit social service agencies); and
- Tribal, which comprises health care or social service agencies operated by a tribal entity.

While the majority of LAs were categorized as local government (65.8 percent), an additional 30.0 percent were categorized as non-government; only 4.2 percent were categorized as tribal. Exhibit 3.5 presents the proportion of LAs falling into each agency type category.

**Exhibit 3.5 Percentage of LAs in Each Agency Type**

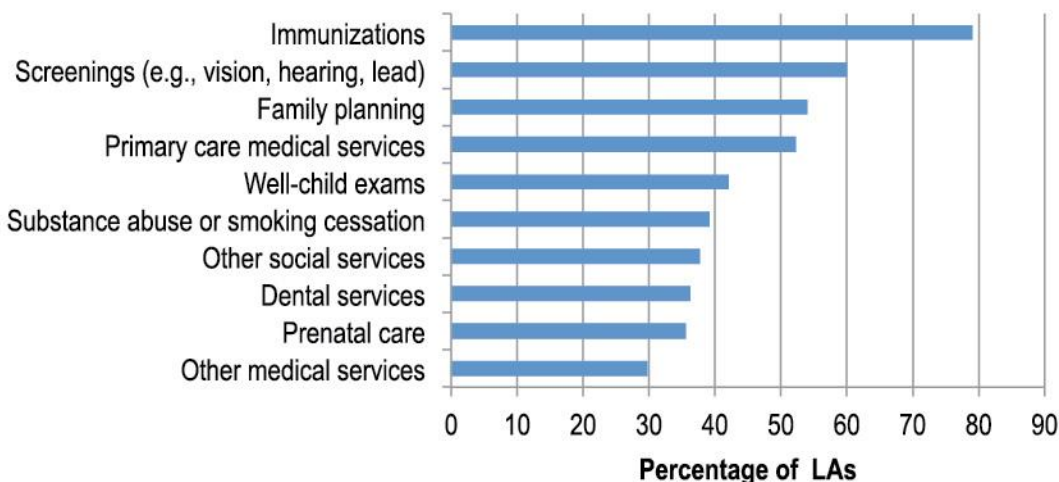


Source: LA survey. Note: Estimates were weighted to represent the population of LAs. Local government comprises city and county health departments or agencies; nongovernment comprises nonprofit WIC-only agencies, private nonprofit community health care agencies, hospitals, and other agency types (e.g., nonprofit social service agencies); and tribal comprises health care or social service agencies operated by a tribal entity.

**iii. Services offered by WIC LA-sponsoring agencies**

Agencies were also asked whether they were a stand-alone WIC provider or part of a sponsoring agency that provides services other than WIC. Only 6.0 percent of agencies self-identified as a stand-alone WIC provider, indicating that the vast majority of LAs (94.0 percent) are part of an organization or agency that provides other services in addition to WIC. Exhibit 3.6 presents the percentage of LAs that reported their sponsoring agency provides certain services outside of WIC. Immunization services were most frequently reported (79.1 percent), followed by screenings (e.g., vision, hearing, lead) and family planning, which were reported by 60.1 and 54.0 percent of agencies, respectively.

**Exhibit 3.6 Ten Services Most Commonly Provided by Agencies That Are Collocated With WIC**



Source: LA survey. Note: Estimates were weighted to represent the population of LAs.

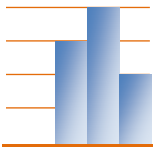
### C. Case Study SA Characteristics

Because the goal of the case studies was to gain an in-depth understanding of SA cost allocation to specific program areas and the factors that influence these allocations, it was important to select a sample of SAs that was diverse in terms of agency size, structure, number of LAs, benefit delivery method, and FNS region. Exhibit 3.7 summarizes characteristics of SAs included in the case studies. In total, the case study sample included eight decentralized, four centralized, and two combination SAs across a total of five FNS regions. At the time of selection, three agencies were included from each of the size categories (small, medium, and large), three were included from the ITO group, and two were identified as high cost. However, for analysis purposes, SAs were categorized into size classifications based on FFY 2013 NSA expenditures, because it is the fiscal period on which the study is focused.<sup>23</sup> Additionally, SAs previously identified as high cost were also incorporated into a size classification (both high-cost case study SAs fell into the small category). Eleven of the 14 case study SAs were still using paper food instruments (FI) in FFY 2013, whereas only three had fully implemented EBT by that time. Summary profiles for each of the case study SAs are provided in appendix J.

**Exhibit 3.7 Case Study SA Characteristics**

Size category	SA	Structure	Number of LAs included in case study	Benefit delivery method	FNS region
Large ( <i>n</i> = 3)	California	Decentralized	4	Paper FIs	Western
Large ( <i>n</i> = 3)	Texas	Decentralized	3	EBT	Southwest
Large ( <i>n</i> = 3)	Illinois	Decentralized	3	Paper FIs	Midwest
Medium ( <i>n</i> = 2)	Missouri	Decentralized	3	Paper FIs	Mountain Plains
Medium ( <i>n</i> = 2)	Oklahoma	Combination	3	Paper FIs	Southwest
Small ( <i>n</i> = 6)	Guam	Centralized	0	Paper FIs	Western
Small ( <i>n</i> = 6)	Arkansas	Centralized	0	Paper FIs	Southwest
Small ( <i>n</i> = 6)	Hawaii	Decentralized	2	Paper FIs	Western
Small ( <i>n</i> = 6)	Connecticut	Decentralized	2	Paper FIs	Northeast
Small ( <i>n</i> = 6)	Nevada	Decentralized	2	EBT	Western
Small ( <i>n</i> = 6)	South Dakota	Combination	0	Paper FIs	Mountain Plains
ITO ( <i>n</i> = 3)	Rosebud Sioux	Centralized	0	Paper FIs	Mountain Plains
ITO ( <i>n</i> = 3)	Chickasaw Nation	Centralized	0	EBT	Southwest
ITO ( <i>n</i> = 3)	ITCA	Decentralized	2	Paper FIs	Western

<sup>23</sup> FFY 2012 NSA grant amounts were originally used to categorize SAs into the small, medium, or large group, since this information was readily available when SAs were selected and recruited as case study sites (spring 2014). Once new size classifications were established based on FFY 2013 NSA expenditures, Arkansas shifted from the medium category to the small category.



## Chapter IV: Budget Planning

This chapter describes information obtained from interviews with 14 SAs and 24 LAs in 9 of those States on topics related to budget planning processes. Case study SAs were asked to describe how they approach planning their WIC budget including decisions for allocating NSA grant funds for SA-level functions and local program services (Exhibit 1.3 in chapter I for a partial list of SA- and local-level functions) and practices for planning for specific program functions and costs. The LAs participating in the case study interviews were asked to explain the local budgeting process and factors that they consider when planning their WIC budget. Comparisons are made between SAs with different operational structures and LAs operated by government and nonprofit organizations.

Because the FFY 2013 WIC appropriation was subject to spending cuts associated with the Federal budget sequestration, there was uncertainty at the beginning of the year regarding the amount and timing of NSA grants to SAs. During this period, the SAs needed to make decisions regarding program operations, including caseload levels and, when applicable, allocation of funds to LAs. Case study SAs and LAs were asked how this affected their budget planning and operations during the interviews.

In addition to information from case study SAs and LAs, this chapter includes responses to survey questions related to budget planning factors, non-NSA funding and in-kind resources available to SAs and LAs. Related tables can be found in appendix I-2. Lastly, data on State-appropriated funds available to SAs as reported on FNS-798A reports are described.

### A. WIC SA Budget Planning

The 14 SAs participating in case study interviews were asked to describe factors that were considered in planning their WIC budget for FFY 2013. The factors that were mentioned most often include the following:

- **Historical budget and expenditures.** SAs described prior year expenditures as a starting point for planning the subsequent year budget and noted that this information is important for determining the amount of the NSA grant to budget for SA-level functions and for local program services. Twelve of the 14 case study SAs reported that the percentage of funds for the SA- and local-level remained consistent between FFY 2012 and FFY 2013. The two SAs that reported a change indicated that the amount for local program services increased in FFY 2013 due to (1) salary increases for staff providing direct services and (2) a change in their LA funding formula to increase the amount per participant.
- **Caseload.** All case study SAs mentioned WIC caseload as a key factor affecting how they plan their budget for every fiscal year since caseload drives the cost of delivering services. Caseload fluctuations, either up or down, impact both the amount of the NSA grant the SA receives and how funds are allocated between SA- and local-level operations. About 70 percent of the SAs that responded to the SA survey also identified caseload and prior-year expenditures as primary factors in planning their budget.
- **State and Federal fiscal year differences.** Several case study SAs indicated that fiscal year differences between State and Federal governments affect their budget process. SAs that operate on a State fiscal year (SFY, usually July 1–June 30) noted that NSA grant funds for an FFY are planned across two SFYs. Therefore, they must use the grant from the last quarter of an FFY as

their first-quarter SFY budget and estimate what the subsequent FFY grant will provide for the other three quarters. When they receive the subsequent FFY grant, they may need to revise their budget if the grant is significantly higher or lower than estimated.

- **Timing of receipt of grant award.** Some SAs commented that delays in receipt of NSA grant awards create uncertainty that may affect their budget planning and operations. In FFY 13, grant information was delayed due to sequestration; however, some SAs noted that there are often delays in receiving grant information for other reasons such as Federal budget continuing resolutions. Three SAs specifically mentioned sequestration and reduced funding at the beginning of FFY 2013 as a factor that prompted decisions to leave vacant staff positions unfilled and, in one SA, to shorten LA contracts to a 6-month period at the beginning of the year.

*We never really know what the budget is, because we are often on a continuing resolution. Sometimes we have to make changes midstream. With other programs/grants, you submit the budget, and it is approved or not. With WIC, you don't hear until sometime in May/July of the operating year (FFY). You get a certain amount of money [from the U.S. Department of Agriculture] every quarter, but you don't know what the final number will be until July.*

—STATE WIC DIRECTOR

Overall, the SA operational structure impacts how WIC budgets are planned. For SAs that operate with a centralized structure, budgets are planned with consideration of costs to provide direct services to participants through their SA-run local offices and costs to support statewide functions. Decentralized SAs consider the funding needed by the LAs to serve the caseload and the amount needed to support SA-level operations. Combination SAs balance both of these considerations. The main difference is that the decentralized SAs must consider the diversity of LAs and their costs to provide services, while centralized SAs have a more uniform service delivery structure and associated costs.

#### ***i. Budget planning process***

While each of the 14 case study SAs described a unique budget planning process, they all portrayed a budget development process that requires several steps and/or levels of approval. All nine of the geographic SAs reported that the WIC budget gets combined with other budgets from within the organizational structure in which they operate and goes to the State legislature for approval as part of the departmental budget. However, they also noted that WIC is a single line item in that budget and does not usually receive special attention. ITO agencies and Guam have internal processes unique to their situation for budget approval but did not report that there typically are any issues with receiving approval.

Most SAs that are operated by a State health department explained that the WIC budget is planned for a SFY that begins on July 1 of one year and ends on June 30 of the subsequent year, while most SAs that are ITOs and Territories plan their budgets for an FFY. The timing of when SAs begin to plan the WIC budget for a future year varied, with two SAs describing a planning process that starts more than 2 years in advance of the fiscal year, because the budget process is connected to a 2-year legislative cycle (i.e., the legislature convenes once every 2 years). Other SAs indicated that the budget planning process begins between 6 months and 12 months prior to the beginning of the budget period being planned. The majority of SAs commented that they begin their budget planning process well in advance of knowing what their NSA grant will be for the period being planned, and this was true for FFY 2013.

*We are on a State fiscal year that runs from July to June, so we are developing our budget to coincide with grants that go out from our department in June. We start in December or January to come up with the funding numbers; the process takes that long in our department. Many times, we don't know the final Federal budget, so we typically work with our prior year's budget.*

—STATE WIC DIRECTOR

Finance or fiscal staff from within WIC or the SA organization were mentioned most often as the individuals who are most involved in planning the WIC budget, with the State WIC Director mentioned next most often. In SAs where someone other than the State WIC Director initiates budget planning, nearly all interview respondents indicated that the WIC Directors review the budget or provide input.

### ***ii. Allocating the NSA grant between the SA and local levels***

Case study SAs were asked to explain how they determine what portion of NSA funds to allocate for SA-level functions and local program services when they plan their WIC budgets. Virtually all SAs stressed the importance of allocating sufficient funds for local service delivery to maintain or increase caseload. There were, however, different approaches to making decisions about allocating funds for SA- and local-level operations. All of the decentralized SAs described a specific process for dividing WIC NSA funds between the SA- and local-level. Most of these SAs use a funding formula or cost per participant to plan for funds needed to support LA operations, and several commented that they allocate funds needed for LAs as a first step in budget planning and use the remaining funds for SA functions.

*We make sure that as much goes to the local level as possible. Participant-centered services is our goal. As little funds at the State level as possible is our desire.*

—STATE WIC DIRECTOR

The centralized SAs explained that they do not specifically allocate their grant between the SA- and local-level, since these SAs provide services to participants directly. They acknowledged that costs for personnel/staffing to provide the direct services are the priority in budget planning, but they do not think of these as separate budget portions. One centralized SA described having a regionalized structure of State-operated local health departments with a budgeting process that includes regional allocations for local WIC services based on labor utilization.

Combination SAs reported using expenditure data from previous years as a guide in dividing NSA funds between the SA and local levels. These SAs discussed the significance of personnel/staffing costs in planning their budget. Employee time reporting was described by one combination SA as the source of data for allocating funds and tracking expenditures for State employees who work in local offices providing services to participants (e.g., county health departments), as well as those who perform SA functions (e.g., central office). Another combination SA described allocating funds for their LAs based on their history of caseload performance and expenditures.

### ***iii. Budget planning for program functions and costs***

When the 14 case study SAs were asked about budgeting for SA-level functions (e.g., vendor management, breastfeeding promotion), 11 reported planning and managing SA-level functions in aggregate without regard to individual organizational subunits or program functions. One SA mentioned that although it manages the WIC funds as an aggregate, it has a system for tracking a specific type of funding or a function within their program (e.g., MIS expenditures). A second SA indicated that it has line item budgets for nutrition services and breastfeeding for tracking expenditures, although it manages its total budget as an aggregate. Three of the SAs shared that their budgets have line items or separate budget amounts for certain functions (e.g., client services, breastfeeding, nutrition education).

The case study SAs reported that several key factors affected decisions they made regarding use of NSA funds for FFY 2013. One-third of these SAs reported personnel/staff expenses as a key factor, describing increases in benefit costs and salary increases that affected the amount of funds needed for this budget item. About one-third mentioned information technology (e.g., MIS, maintenance costs) as a key factor. Less commonly reported factors included travel, utilities, and contract costs. Two of the case study SAs reported that they needed to plan for cutting costs during FFY 2013 and considered both SA- and local-level costs that could be reduced, shifted, or eliminated if needed.



*All the unknowns around sequestration and all the impacts it might have had needed to be considered. We've been involved with the WIC Program a long time and can hardly ever remember a cut [in funding]. It was a little hard to believe that might happen, but we did have to write contingency plans for our administration.*

—STATE WIC DIRECTOR

When asked whether there were budget adjustments such as moving funds within the WIC budget during the course of FFY 2013, slightly more than half the case study SAs reported making budget changes during the year. The most common reason shared by these SAs was a change in personnel/staffing costs (e.g., funds saved from positions being vacant). A few SAs commented that they routinely monitor WIC expenditures and make budget adjustments throughout the year to address under- or overexpenditures in different budget items. Three SAs also mentioned that budget changes occur when they receive additional funds (e.g., operational adjustment, reallocated funds) awarded during the year, and two of those SAs recalled making adjustments for this reason during FFY 2013.

All but 1 of the 14 case study SAs reported budgeting and using NSA funds for contracted services, including technology, outreach, conference planning, and audits. The use of contracted services for information technology and MIS was reported by 11 of these SAs. Contracts for conferences and training were reported by five SAs, and four indicated they have contracts for banking services. Most SAs commented that costs for contracted services have been stable for the past few years, with only one indicating that the amount spent on contracted services is growing.

Twelve of the 14 case study SAs report that they budget for and purchase equipment, materials, or other resources for LAs. The costs of these items are included in the SA-level budget, even though they are used at the local level. The items most often purchased are computers/printers (10 SAs) and breast pumps (9 SAs). Other items purchased by these SAs for local use include nutrition education materials, anthropometric and blood testing equipment, and training services. Some SAs distribute items to LAs upon their request; others calculate the amount of items LAs receive based on caseload, number of staff, or number of WIC clinics.

Case study SAs were asked about the amount of NSA funds used for indirect costs during FFY 2013. Indirect rates reported during the interviews ranged from 5.1 percent to 38.0 percent, with nearly half the SAs reporting rates between 17.8 percent and 21.6 percent. Both extremes of the indirect cost rate range were reported by decentralized SAs. There was a narrow range of variation reported among ITOs, Hawaii, and Guam, with indirect rates for ITOs being between 20.4 percent and 25.3 percent and indirect rates for Hawaii and Guam being 15.8 percent and 17.8 percent, respectively. The full indirect cost rate was not applied by two of the SAs due to limitations of the NSA grant; one of these explained that the amount of indirect costs charged to WIC was “capped” at a set dollar amount (which was lower than the amount calculated for the approved indirect cost rate), and the other shared that WIC was not charged for indirect costs in FFY 2013.

*There was an agency decision made to reduce WIC's required indirect cost, because WIC funds were so reduced that year. Doing this was one of our strategies to try and keep our WIC services functioning during that time of reduced funding, because most of our funds were going to WIC staff. We don't want to reduce staff if we can help it, because that impacts services and caseload.*

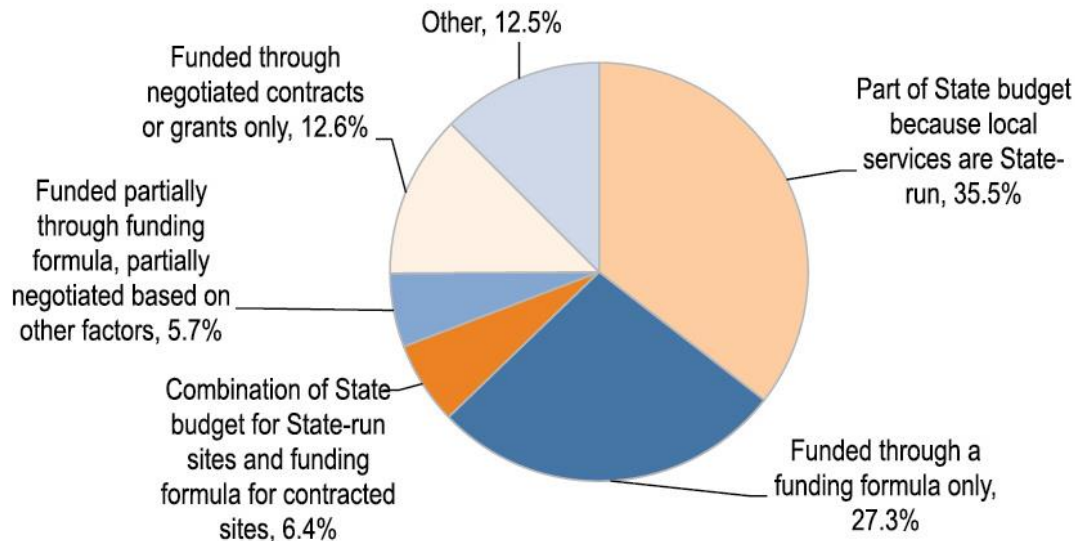
—STATE WIC DIRECTOR

#### **iv. Budget practices for local-level operations**

The SA survey asked about approaches used to determine funding amounts for local service delivery operations. As shown in exhibit 4.1, a little more than one-third of the respondents (35.5 percent)

indicated that the local services are provided directly by the SA (SA-run), so they do not have specific allocations for local-level operations (e.g., centralized model). About 27 percent of SA respondents make the determination through a funding formula, and the remainder use negotiated contracts or grants or a combination of approaches.

**Exhibit 4.1 Percentage of SAs Using Various Methods to Fund Local Services, FFY 2013**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

Case study SA responses to questions regarding how they determine funding amounts for LAs were consistent with the SA survey. All but one of the decentralized SAs and one of the combination SAs report using funding formulas to determine the budget amounts for LA contracts with caseload as the key formula factor. Most of these SAs indicated the funding formulas work well overall, but some said they are in the process of revising their funding formulas to address concerns from LAs regarding insufficient funds or to incorporate performance standards. One decentralized SA reported using a Request for Applications process and negotiating the LA budgets. Decentralized and combination SAs were asked whether their LAs are required to prepare detailed budgets, and most responded that these are required. Of the SAs that require detailed budgets from their LAs, all but one report that LAs must receive approval from the SA to make budget changes through budget modifications or other approval methods, although two of these SAs allow redirection of funds between line items up to a limited threshold without SA approval.

Case study SAs that have contracts with LAs were asked whether there is a limit on the amount of indirect costs that can be included in LA contract budgets. Of the 10 SAs for whom this question was applicable, 4 indicated a limit on these costs. These four reported indirect cost limit ranges from 8 percent to 20 percent, with limits that are based on the approved indirect rate for the State department or organization that oversees WIC or on historical need. For SAs that indicate no limit on LA indirect costs, most described some other method to control local indirect costs, such as audits of indirect costs and negotiation when contracts are established.

The 10 SAs that have contracts with LAs and/or plan local-level budgets were asked whether they make midyear adjustments to local-level budgets based on not meeting caseload targets or underspending the budget amounts. Six of these SAs reported that they do make midyear adjustments; the other four reported that they make adjustments in the subsequent year if performance expectations are not met. When LAs exceed caseload targets or local-level budgets are overspent, several of the SAs will provide

additional funds during the year, if funds are available, while other SAs will consider increases in the subsequent year.

When the decentralized and combination SAs were asked whether the majority of LAs fully spend their funds, three replied that most of the LAs spend the majority of these funds, with the remaining SAs reporting that about half of their LAs spend the majority of their funds. The most frequently provided reason that LAs do not spend all of their funding is personnel/staffing vacancies. Other reasons included declining participation levels, lengthy budgetary approval processes, and LA operational or contract management challenges.

#### v. State-appropriated funds and in-kind resources

As reported on FFY 2013 FNS-798A reports, 12 SAs (13 percent) received funds from their State or tribal government to support WIC operations. Overall, these State funds made up 9 percent of the total NSA expenditures for these SAs during FFY 2013. In eight of the SAs, the State funds made up is less than 1 percent of their total expenditures. For two SAs—Massachusetts and New York—the State funds make up a significant portion (28.5 percent and 19.2 percent, respectively) of their total expenditures.

**Exhibit 4.2 State Expenditures in Dollars and as a Percentage of Total WIC Expenditures, FFY 2013**

SA	State NSA expenditures	Federal NSA expenditures	Total NSA expenditures	State expenditures as a percentage of total expenditures
Arkansas	\$572,502	\$18,755,925	\$19,328,427	3.0%
Cherokee Nation of Oklahoma (OK)	\$17,850	\$2,236,757	\$2,254,607	0.8%
Citizen Potawatomi Nation (OK)	\$1,000	\$984,190	\$985,190	0.1%
Louisiana	\$120,000	\$30,491,698	\$30,611,698	0.4%
Massachusetts	\$9,833,678	\$24,672,286	\$34,505,964	28.5%
New Hampshire	\$15,557	\$4,048,666	\$4,064,223	0.4%
New Mexico	\$130,000	\$13,158,757	\$13,288,757	1.0%
New York	\$26,254,900	\$110,435,043	\$136,689,943	19.2%
Oklahoma	\$1,845,988	\$20,611,534	\$22,457,522	8.2%
Osage Nation (OK)	\$4,000	\$945,834	\$949,834	0.4%
Otoe-Missouria Tribe (OK)	\$1,800	\$270,893	\$272,693	0.7%
Texas	\$1,400,000	\$178,749,849	\$180,149,849	0.8%
<b>Total</b>	<b>\$40,197,275</b>	<b>\$405,361,432</b>	<b>\$445,558,707</b>	<b>9.0%</b>

Source: FFY 2013 FNS administrative data. Note: New York State NSA expenditures were not reported on FNS-798A but were reported on the SA survey and confirmed as State-appropriated funding with the SA.

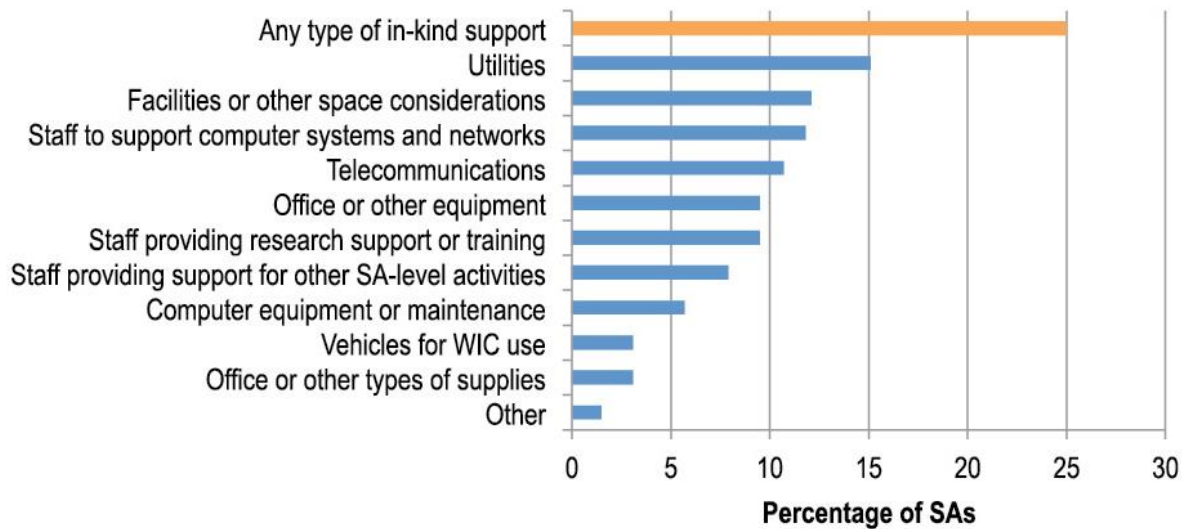
In comparison to these data, the GAO report *Financial Information on WIC Nutrition Services and Administrative Costs*, published in March 2000, provided information regarding State funding for WIC during FFY 1998.<sup>24</sup> In that fiscal year, 12 SAs (11 State health departments and one ITO) reported having State funding for WIC, with Massachusetts and New York having the highest amounts. While the number

<sup>24</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000: <http://www.gao.gov/assets/230/228748.pdf>.

of SAs is the same in the two fiscal years, the percentage of total WIC expenditures from State funds among the SAs that received them in FFY 1998 was a little more than 17 percent, compared to 9 percent for FFY 2013. A key reason for the difference is the makeup of the SAs that received State funds during the two fiscal years, with an increased number of ITOs and smaller SAs and a decreased number of larger non-ITO SAs receiving these funds in FFY 2013.

While 13 percent of SAs reported receiving State funds during FFY 2013, about 25 percent reported on the SA survey that they received in-kind support. Exhibit 4.3 shows the types of in-kind support reported on the survey, with utilities (15.1 percent), facilities (12.1 percent), and staff support for computer systems and networks (10.7 percent) as the most frequently reported types.

**Exhibit 4.3 Percentage of SAs That Received In-Kind Contributions in FFY 2013**



Note: Estimates were weighted to represent the population of SAs. Respondents could select multiple responses. A total of 5 SA full responders did not know whether their agency received one or more types of in-kind contribution; these were recorded as missing.

When case study SAs described their budget planning processes, none of them specifically mentioned having funds appropriated by their State included in their budget plans, nor did they describe factoring in-kind support into their budgets. Two of the case study SAs that reported receiving State funding in FFY 2013 explained that their States provide financial support for WIC when the NSA grant is not sufficient to cover all program costs. In both cases, the WIC budgets are planned with the available NSA grant, and the State “makes up the difference” needed to operate the program. One SA reported that it provided that support in FFY 2013 by reducing the amount of indirect costs charged to WIC (i.e., the SA did not charge the full percentage of indirect in its approved cost allocation plan). With respect to factoring in-kind support into budget planning, SAs likely view it as a cost they can avoid including in the budget rather than as a source of financial support to be planned in the budget. That notion is supported by SA survey responses to the question regarding whether SAs can provide a dollar value for the in-kind support they receive, since no respondents were able to do so.

## B. WIC LA Budget Planning

The 24 LAs participating in the case study interviews were selected by 9 of the SAs participating in the case study. SAs were asked to select LAs representative of diversity in caseload size, type of organization (e.g., city/county government, nonprofit, Federally Qualified Health Center) and urban/rural location.

Nineteen of the LAs were selected from the seven SAs with a decentralized structure, and five of the LAs were selected from the two SAs with a combination structure.

### *i. Budget planning processes*

The 24 LAs in case study States were asked to describe their approach to planning their WIC budget. Similar to the SAs interviewed for the case studies, the specific budget planning and approval processes described by LAs were unique. There were no specific process features that were described consistently by LAs operated by city or county government or by those operated by tribal or nonprofit organizations. However, some government-operated LAs explained that the WIC budget is integrated into the overall budget for the city or county and goes through the review and approval process as part of the larger agency budget. Nearly all LAs reported that the local WIC Director is involved in the planning process either as the person who drafts the budget or as a contributor. A majority of LAs described working with their fiscal/accounting and human resources departments during the budget planning process to obtain information on salaries and benefits and historical expenditures. Half the LAs mentioned that the WIC budget is reviewed and approved by a board of directors, city or county government board or committee, or tribal council before or after it is submitted to the SA. Only a few stated that there is not a review or approval process within their agency prior to submitting their budget to the SA. While several LAs described budget processes that were lengthy and required many steps, only one indicated that the process may impede its ability to use WIC funds.

*The WIC budget is reviewed and approved at the WIC Program management level prior to submitting to the State WIC Program. Once we receive the State WIC agreement, which includes the budget, it is approved by the county Department of Public Health fiscal and administration staff and our County Board of Supervisors. The WIC budget is also incorporated into our county budget which is approved by the Department of Public Health fiscal director and the Department director.*

—LOCAL WIC DIRECTOR

*Once the WIC budget is prepared by accounting and the WIC director, it goes to both the Chief Financial Officer and the Chief Executive Officer for review and sign off. The WIC budget gets incorporated into the Agency budget and is sent to the Board of Directors.*

—LOCAL WIC DIRECTOR

The majority of LAs reported that their contracts with the SA are for an FFY (October 1–September 30), and most stated that the contracts are established for a single year. A few LAs have multiyear contracts with budgets that are updated prior to each contract year. LAs in one State reported having a 6-month contract period when FFY 2013 began but explained that they received a contract for a 12-month period within a few months after the start of the year. These LAs indicated the 6-month contract period was not typical.

Most case study LAs stated that the funding they receive is based on caseload (i.e., the number of participants they are serving or anticipate serving). Only three LAs stated they are able to negotiate their budget amounts with the SA, although a few LAs said they had not thought about the possibility of trying to negotiate their budgets. All 24 LAs said the SA usually informs them of the contract amount they will receive for the next fiscal year between late spring and the end of summer (e.g., May–September).



*Each year in the summer, State WIC consultants meet with us to review the anticipated caseload and grant for the upcoming year. We develop the budget based on the grant information they give us.*

—LOCAL WIC DIRECTOR

## **ii. Budget planning factors**

Most of the 24 case study LAs reported using historical expenditure information along with anticipated expenses in the upcoming year (e.g., salary increases, changes to benefits, equipment purchases) to plan the budget. Some LAs consider caseload trends when preparing their budgets. Specifically, if caseload is declining, they prepare for a possible reduction in the funds they receive from the SA by budget adjustments such as reducing staffing or closing WIC sites. Almost one-third of the LAs indicated that they did make reductions in staffing, sites, and/or supplies during FFY 2013.

All of the LAs indicated that personnel/staffing costs, including salaries, salary increases, and benefits, are the biggest factor when planning their budgets. While some LAs reported that salary increases are negotiated in employee union contracts, others stated that salary increases are only provided if the agency parent organization determines that increases are affordable for all staff working in the organization.

*Our practice has been to take a strong look at historical information for the previous year and then couple that with forecasting. [So we ask ourselves whether] we received an increase in caseload and what other changes in costs we anticipate like staff turnover or an increase in salaries. It is more of an intuitive process than a numbers process. [We look at] the priorities and what else we anticipate going on during the year.*

—LOCAL WIC DIRECTOR

After personnel/staffing costs, the next most prominent budget planning factor described by case study LAs was rent or facility costs. While many local-government–operated LAs (cities and counties) explained that they have access to some of the space they use for WIC for little or no cost, many others cited facility costs as a very significant part of their budgets. Other costs that LAs described as part of their budget include travel, office supplies, nutrition education materials, equipment, and repairs, although some described these as lower priorities that are considered after costs for personnel/staffing and facilities are included in the budget. A few LAs reported not being able to purchase supplies or delaying repairs at WIC sites because there were not enough funds in their budget to pay for these. A small number specifically mentioned receiving funds for special projects or activities in addition to the funding to serve their caseload and indicated that these funds have a separate budget or are identified in their budget (e.g., separate budget line item).

Eighteen of the 24 LAs reported that a portion of their budget is planned and used to pay for agency indirect costs, while 6 of them stated that they do not include indirect costs in the WIC budget. Of the LAs that include indirect costs in the WIC budget, the rates ranged from 5 percent to 23 percent for FFY 2013, with most LA indirect charged at 10 percent to 14 percent. Several LAs mentioned that indirect costs were used to cover services such as accounting, human resources, and information technology services. A majority of the LAs that include indirect costs in the WIC budget reported that these costs have stayed about the same over the past 3 years, one indicated that indirect costs decreased, and four indicated that indirect costs had increased.

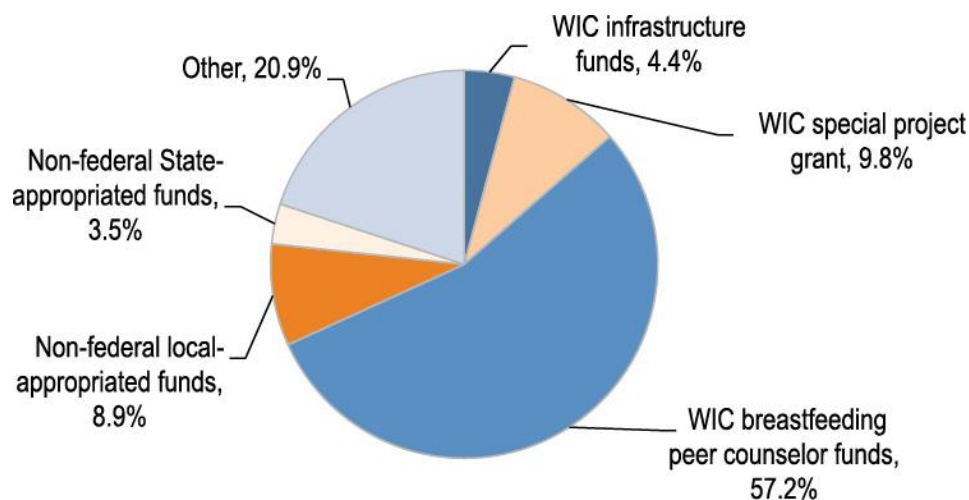
## **iii. Local funds and in-kind resources**

Local agencies that completed the LA survey were asked for information regarding types of funding other than NSA they use for WIC operations, and 68 percent indicated they do have other funding sources. While the majority of responses indicated they receive other Federal WIC funds, especially Breastfeeding Peer Counseling Program funds, about 13 percent indicated they receive non-Federal local-appropriated



(8.9 percent) or non-Federal State-appropriated (3.5 percent) funds, and more than 20 percent responded that they receive other types of funding. Exhibit 4.4 shows the information reported on the survey.

**Exhibit 4.4 Percentage of LAs Reporting Other Types of Funding, FFY 2013**

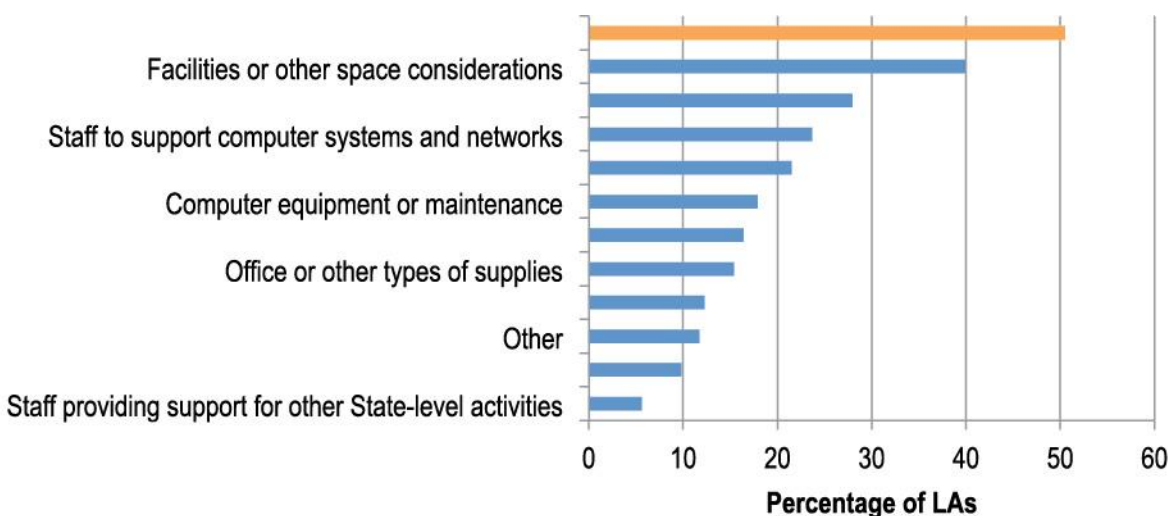


Source: LA Web survey. Note: Estimates were weighted to represent the population of LAs. Two full responders were excluded due to missing data on other sources of funds.

The information provided by the 24 LAs that participated in case study interviews aligns with the LA survey responses. Nearly half of the LAs in the case study States reported receiving non-WIC funds from a State or local source, with most of them reporting that the funds are incorporated into the WIC budget. Government-based agencies were much more likely to receive non-WIC funds than nonprofit-based agencies. Examples of non-WIC funding included revenue from health insurance billing, private donations, the Community Services Block Grant, and United Way funds. A few tribal and government-based agencies reported they are receiving local funds from their tribal, city, or county government to help supplement WIC funds (e.g., to pay for staff). A majority of the LAs receiving non-WIC funds stated there is a policy or practice that WIC funds must be expended first before non-WIC funds from a State or local source are used.

The LA survey collected information regarding types of in-kind support available to LAs during FFY 2013. A little more than half (50.5 percent) of LAs report receiving one or more forms of in-kind contributions. Exhibit 4.5 shows the responses regarding in-kind contributions, with facilities (39.9 percent), utilities (28.0 percent), and staff support for computer systems and networks (23.7 percent) as the most frequently reported types.

**Exhibit 4.5 Percentage of LAs Receiving In-Kind Contributions in FFY 2013 by Type**



Note: Estimates were weighted to represent the population of LAs. Respondents could select multiple responses. A total of 56 LA full responders did not know whether their agency received one or more types of in-kind contribution; these responses were recoded to missing.

These data can be compared to the GAO report that presented similar data for FFY 1998. According to that report, 68 percent of LAs reported receiving in-kind contributions from one or more sources with the most frequent types of contributions reported as facilities (about 55 percent); utilities (about 35 percent); and computers and maintenance, advertising, and communications support (all approximately 25 percent). The percentage of LAs reporting in-kind contributions of any type during FFY 2013 (50.5 percent) is lower than the percentage reporting these 15 years earlier. The predominant types of support LAs received are consistent between the two FFY.<sup>25</sup>

A majority of case study LAs reported receiving in-kind contributions to support WIC services. The most common source of in-kind contribution was space/facilities/utilities for WIC sites, and this type of in-kind contribution was frequently reported by government-based LAs, since WIC sites were often located in buildings owned by the city or county. Another commonly reported source of in-kind contribution was personnel. These in-kind personnel contributions took several forms: shared direct-service staff who work in WIC as well as other programs but were not on the WIC budget, full-time WIC staff who were not on the WIC budget, and staff outside of WIC within the parent organization who provided support to WIC (e.g., accounting, human resources, information technology). Other reported forms of in-kind contributions included outreach services, vehicles, materials, and supplies. Only two LAs that received in-kind contributions indicated the amount for FFY 2013 was higher than previous years, while 13 reported the amount remained about the same. Five LAs that receive in-kind contributions indicated their budgets and ability to provide WIC services would be significantly impacted (e.g., reduced services, fewer sites, less staff) if in-kind contributions were not provided.

*It would be impossible to provide WIC services and exist at the level the program does...and provide services at the satellite clinics without the in-kind support.*  
—LOCAL WIC DIRECTOR

*If we didn't have in-kind, we would have to cut services to clients.*  
—LOCAL WIC DIRECTOR

<sup>25</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000: <http://www.gao.gov/assets/230/228748.pdf>.



For FFY 2013, FNS provided NSA grants totaling \$1.923 billion to 90 SAs to operate WIC. Most of these grant funds were provided through the FFY 2013 WIC appropriation, which totaled \$6.413 billion. Of that amount, the portion available for NSA grants was determined by calculating a guaranteed national AGP for FFY 2013 as required by Federal law. Federal WIC regulations guiding the distribution of WIC funds specify, “The funds available for allocation to SAs for NSA for each fiscal year must be sufficient to guarantee a national average per participant NSA grant, adjusted for inflation.”<sup>26</sup> The AGP is determined by applying an inflation adjustment based on an index associated with State and local government purchases to the AGP from the preceeding fiscal year to help ensure grants to SAs are sufficient to keep up with costs that increase over time. For FFY 2013, the AGP was \$18.11 resulting in \$1.791 billion (28 percent) of the appropriation designated for NSA.

Grants to individual SAs were calculated using an NSA funding formula, which is also specified in Federal regulations and starts with a base amount that intends that “each State agency shall receive an amount equal to 100 percent of the final formula-calculated NSA grant of the preceding fiscal year prior to any operational adjustment funding allocations....” The funding formula also includes a fair share allocation that factors in SA monthly participation levels with an adjustment that takes into consideration the higher per-participant costs associated with serving small participation levels and variation in salary costs in different parts of the country. After grants for each SA are calculated, 10 percent of the amount for each SA is aggregated into an OA fund, along with the same portion for other SAs in their FNS region. The FNS Regional Offices allocate these OA funds to SAs in their region according to national guidelines reflecting program priorities and with consideration of varying needs of SAs within their region. Some SAs receive OA funds that are greater than the 10 percent of their grant amount calculated through the NSA funding formula, while others receive less than 10 percent. In addition to the amount available from the annual appropriation, NSA grants may include reallocated funds not used in the prior fiscal year and contingency funds included in the WIC appropriation in FFY 2009 that are available for allocation to SAs in times when annual WIC appropriations are not sufficient to meet program needs. During FFY 2013, FNS reallocated \$375 million in unspent FFY 2012 funds and distributed \$31.7 million in contingency funds.

Of the \$1.923 billion allocated for NSA during FFY 2013, the SAs reported NSA costs totaling \$1.882 billion for that fiscal year. FFY 2013 NSA costs were reported on the annual *FNS-798A, Addendum to WIC Financial Management and Participation Report: NSA Expenditures*, including SA- and local-level costs across four cost categories: program management, client services, nutrition education, and breastfeeding promotion and support.

### A. NSA Expenditures for SA- and Local-Level Operations

As discussed in chapter IV of this report, one of the key decisions that SAs make when planning their WIC budget is the amount needed to support SA functions and local program services. While the approach to planning for these costs varies based on SA operational structure and other factors, nearly all SAs plan for and report on NSA costs at both the SA and local levels. According to information provided

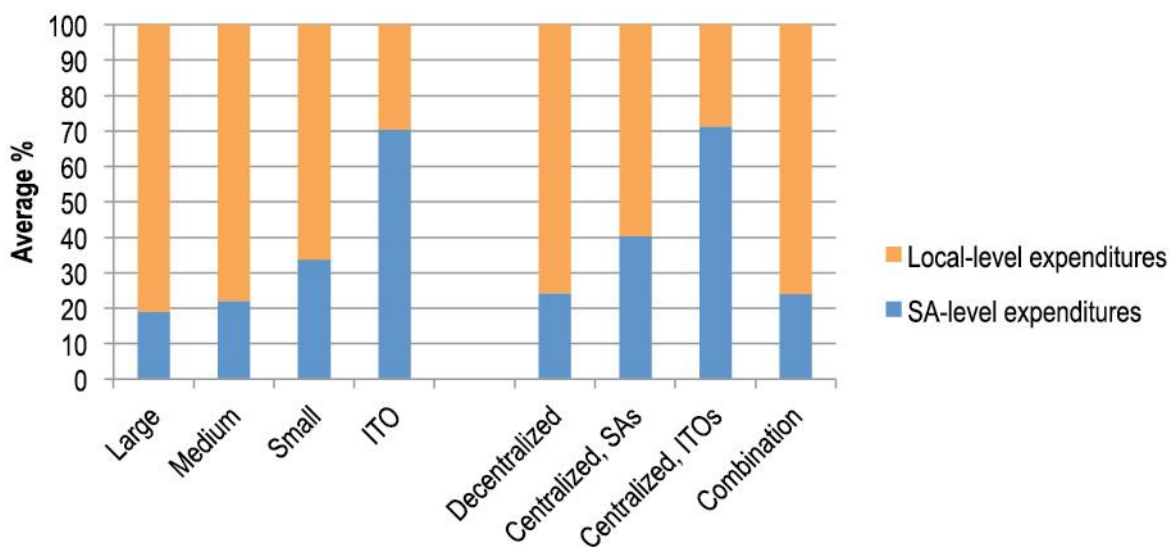
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<sup>26</sup> CFR 246.16 (c)

by SAs on the FNS-798A annual closeout report for FFY 2013, overall, 20.6 percent of total NSA expenditures supported SA-level operations and 79.4 percent supported local-level operations.

In addition to calculating the percentage of NSA funds spent at the SA and local levels nationally, the percentage was also calculated for each individual SA. The average percentage of NSA funds used to support SA-level operations varied significantly by SA size (*p is less than .0001*) and by SA operational structure (*p is less than .0001*) (Exhibit 5.1). When these associations were examined more closely, however, statistically significant differences were only observed between ITOs and all other SAs (including U.S. Territories). On average, ITOs spent 70.4 percent of their NSA grant funds on SA-level operations, compared to an average of 26.7 percent among all SA-run agencies (*p is less than .0001*). This difference likely reflects the operational approaches used by ITOs compared to State agencies. Nearly all ITOs operate as centralized programs with the ITO performing WIC SA-level functions as well as delivering program services to participants. In this structure, employees may have both SA- and local-level job duties and facilities, supplies, etc. may also be shared, making differentiation of SA and local costs more complex. While some State agencies operate with a centralized structure, the majority use decentralized or combination structures which allow them to more easily distinguish SA- and local-level expenditures.

**Exhibit 5.1 Average Percentage of NSA Expenditures for SA- and Local-Level Expenditures, by SA Size and Structure, FFY 2013**



Source: FFY 2013 FNS-798A annual closeout report. Note: Group mean percentages are presented. SA size was determined based on FFY 2013 NSA expenditures. Large SAs contributed more than 2 percent of total Federal NSA expenditures; medium SAs contributed more than 1 percent and up to 2 percent of total Federal NSA expenditures; small SAs contributed 1 percent or less of total Federal NSA expenditures; and ITOs were retained as a separate group, since they have unique funding and program administration issues. Centralized SAs operate and staff local service delivery sites. Decentralized SAs contract with LAs for local service delivery. Combination SAs are a hybrid of a centralized and decentralized structure.

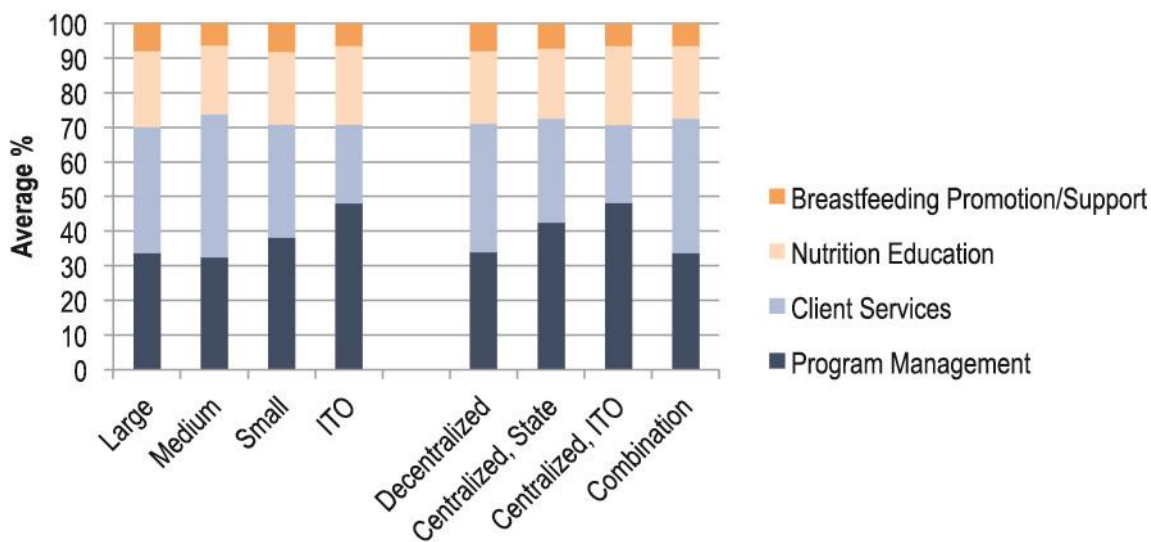
### B. NSA Expenditures Across Four Cost Categories

In addition to reporting NSA expenditures for SA- and local-level operations, SAs report on costs in each of the four categories included on the FNS-798A closeout report. Nationally, about 34 percent of NSA funds is spent on program management, while 37 percent is spent on client services, 21 percent is spent on nutrition education, and 8 percent is spent on breastfeeding promotion and support. Since nutrition education and breastfeeding promotion and support are considered program benefits and together

compose 29 percent of NSA expenditures, ultimately only 71 percent of all NSA expenditures are used to administer WIC.

In addition to calculating the percentage of NSA funds spent on each of the four cost categories nationally, the percentage was also calculated for each individual SA. Exhibit 5.2 shows the average percentage of NSA costs expended in each category by agency size and structure. The percentages of expenditures for program management and client services vary by agency size and structure. Upon closer examination, pairwise testing (comparison of group means between one group and all other groups) revealed that statistically significant differences exist between some but not all groups. For example, on average, ITOs expended a significantly higher percentage of their NSA funds on program management (48 percent) than medium and large SAs (34 percent and 32 percent, respectively) and a smaller percentage on client services (23 percent) compared to all other SAs (36 percent). Additionally, centralized ITOs expended a significantly higher percentage of their NSA funds on program management than decentralized SAs did (48 percent compared to 34 percent, respectively), as well as a significantly smaller percentage on client services (22 percent compared to 37 percent, respectively). A similar but separate analysis was performed for both SA- and local-level expenditures in each cost category; the results of these analysis are presented in appendix I-3.

**Exhibit 5.2 Average Percentage of Total NSA Expenditures in Each Cost Category, by SA Size and Structure, FFY 2013**



Source: FFY 2013 FNS administrative data. Note: Group mean percentages are presented and include both SA and local-level expenditures. SA size was determined based on FFY 2013 NSA expenditures. Large SAs contributed more than 2 percent of total Federal NSA expenditures; medium SAs contributed more than 1 percent and up to 2 percent of total Federal NSA expenditures; small SAs contributed 1 percent or less of total Federal NSA expenditures; and ITOs were retained as a separate group, since they have unique funding and program administration issues. Centralized SAs operate and staff local service delivery sites. Decentralized SAs contract with LAs for local service delivery. Combination SAs are a hybrid of a centralized and decentralized structure.

### C. Average Monthly NSA Expenditure per Participant

Nationally, the average monthly NSA expenditure per participant was \$18.14 in FFY 2013. This value was calculated by dividing total Federal NSA expenditures at the national level by total FFY 2013 WIC participation at the national level. The average expenditure per participant represents actual expenditures and participation for FFY 2013 and is slightly higher (\$0.03 or 0.2 percent) greater than the AGP of \$18.11 that was used to allocate grants to SAs.



To examine subgroups, the average monthly NSA expenditure per participant was calculated for each SA by dividing its total Federal NSA expenditures by its annual WIC participation. Average expenditures were then calculated and compared by agency size and structure groupings (Exhibit 5.3). Although statistically significant differences were observed by agency size and structure, when examined more closely using pairwise comparisons, the differences were only significant between State agencies of all sizes and ITOs. On average, State agencies spent \$20.07 per participant per month, which is statistically significantly less than the \$46.33 ITOs spent per participant per month in FFY 2013 (*p* is less than .0001; see exhibit 5.3).

**Exhibit 5.3 Average Monthly NSA Expenditure per Participant, by Agency Size, FFY 2013**

Agency Size	<i>n</i>	Mean	Standard deviation	Min	Max
Large	14	\$18.37	\$1.91	\$15.60	\$22.04
Medium	16	\$18.33	\$1.67	\$15.36	\$21.80
Small	26	\$22.07	\$4.43	\$15.94	\$34.92
ITO	34	\$46.33	\$18.49	\$23.70	\$93.07

Notes: FFY2013 FNS administrative data. The national WIC NSA expenditure per participant was calculated by dividing total federal outlays by total WIC participation. Group means represent an average of SA monthly expenditures per person. Significant difference in means detected between groups by ANOVA and Tukey's post hoc test; *p*-value is greater than 0.0001. Agency size based on proportion of the SA's FFY2013 WIC NSA federal outlays relative to national FFY2013 WIC NSA federal outlays.

**Exhibit 5.3 Average Monthly NSA Expenditure per Participant, by Agency Structure**

Agency Structure	<i>n</i>	Mean	Standard deviation	Min	Max
Decentralized	38	\$19.44	\$3.02	\$15.36	\$27.61
Centralized, SAs	10	\$22.50	\$5.50	\$17.41	\$34.92
Centralized, ITOs	33	\$46.94	\$18.43	\$23.70	\$93.07
Combination	9	\$20.74	\$3.95	\$16.57	\$28.40

Notes: FFY2013 FNS administrative data. The national WIC NSA expenditure per participant was calculated by dividing total federal outlays by total WIC participation. Group means represent an average of SA monthly expenditures per person. Significant difference in means detected between groups by ANOVA and Tukey's post hoc test; *p*-value is greater than 0.0001. One ITO was included in the decentralized category because it has LAs.

Average monthly NSA expenditure per participant was also calculated for LAs using expenditure data provided by their SAs. Expenditure data were available for 1,549, or 99.6 percent, of all LAs that operated via a contract with a SA during FFY 2013. Overall, LAs spent an average of \$14.89 per participant per month in FFY 2013.<sup>27</sup> This value is approximately 82 percent of the national average monthly expenditure per participant, which is consistent with the percentage of NSA expenditures that were expended on local-level operations nationally (see chapter IV).

Average monthly NSA expenditure per participant was also calculated for the individual LAs by dividing the agency's total Federal NSA expenditures by its annual WIC participation. Average expenditures per participant were compared by LA size and type. As presented in exhibit 5.4, small agencies spent \$19.08 per participant, which is significantly more than both medium and large LAs spent per participant per month (\$15.26 and \$13.97, respectively). Likewise, tribal agencies spent an average of \$22.23 per participant per month, which is significantly more than both local government agencies (\$16.93) and other types of agencies (\$16.06). Average monthly NSA expenditures was also examined but did not vary significantly by region (Appendix I-3) and receipt of in-kind contributions (Appendix I-6).

<sup>27</sup> This value was calculated by dividing total Federal NSA expenditures for all LAs by annual WIC participation for all LAs; it is not an average of average monthly expenditures per participant that were calculated for each LA.



**Exhibit 5.4 Average Monthly NSA Expenditure per Participant for LAs, by Agency Size, FFY 2013**

Agency Size	n	Mean	Standard deviation	Min	Max
Large	185	\$13.97	\$2.49	\$8.65	\$24.18
Medium	458	\$15.26	\$3.30	\$1.28	\$38.52
Small	906	\$19.08	\$19.11	\$2.09	\$335.66

Notes: FFY2013 LA expenditure data was provided SAs. Seven of the 1556 LAs had missing expenditure data. Group means represent an average of LA monthly expenditures per person. Number of respondents = 1249. Significant difference in means detected between groups by ANOVA and Tukey's post hoc test; p-value is greater than 0.0001.

**Exhibit 5.4 Average Monthly NSA Expenditure per Participant for LAs, by Agency Type**

Agency Size	n	Mean	Standard deviation	Min	Max
Local government agency	821	\$16.93	\$10.45	\$3.23	\$226.10
Other non-profit agency	372	\$16.06	\$7.76	\$1.28	\$98.68
Tribal agency	49	\$21.23	\$25.20	\$7.16	\$158.61

Notes: FFY2013 LA expenditure data was provided SAs. Seven of the 1556 LAs had missing expenditure data. Group means represent an average of LA monthly expenditures per person. Since agency type was obtained through the LA survey, estimates were weighted to represent the population of LAs using the full responder survey weight. Number of respondents = 1249. Significant difference in means detected between groups by ANOVA and Tukey's post hoc test; p-value is 0.0016.



## Chapter VI: NSA State Agency-Level Cost Centers

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The primary source of information for this chapter is the SA Web survey (Appendix I-4 for related data tables). Through the Web survey, SAs provided detailed information on direct and indirect costs attributed to agency operations that were paid for with their FFY 2013 WIC NSA grant. Based on Web survey responses, SAs allocated an average of more than 85 percent of their FFY 2013 NSA grant funds to pay for direct costs, which comprise labor and personnel, contracted services, materials, services, and travel while allocating only 15 percent on average to indirect costs (Exhibit 6.1).<sup>28</sup> In comparison, in FFY 1998, SAs reported that about 91 percent of their NSA grant was used for direct costs and 9 percent was used for indirect costs, according to the 2000 GAO report *Financial Information on WIC Nutrition Services and Administrative Costs*.<sup>29</sup>

The percentage of NSA grant funds allocated to direct versus indirect costs was examined by agency size, and structure but varied significantly only by the latter. On average, combination SAs expended a smaller proportion of their grant on SA-level direct costs compared to centralized ITOs (69.7 percent versus 84.2 percent, respectively; *p is less than .05*) as did centralized State agencies compared to decentralized SAs (84.2 percent versus 88.6 percent, respectively; *p is less than .05*). However, these results should be interpreted with caution, since the types of costs on which SAs reported through the survey vary somewhat based on agency structure. For example, none of the costs associated with contracted LAs were reported by decentralized and combination SAs through the SA Web survey, as these costs were obtained directly from LAs through the LA Web survey. Centralized and combination SAs did report on labor and personnel costs associated with local service delivery through the SA Web survey; however, to ensure greater consistency when comparing costs between and across SAs, these were not included in the SA-level findings presented herein.

As depicted in exhibit 6.1, labor and personnel account for nearly 50 percent of all SA-level costs; thus, it is not surprising that, when asked about factors they consider most important in driving overall program costs, interview respondents from the 14 case study SAs most frequently noted personnel or salaries and benefits as their biggest expense. Contracted services ranked second out of the four major cost centers, accounting for nearly 20 percent of all SA-level costs reported by SAs on the Web survey. Costs associated with materials, services, and travel accounted for an additional 16.0 percent of SA-level costs and indirect costs accounted for an additional 15.4 percent. Details on the specific costs incurred within each of these major cost centers are summarized in the subsequent sections.

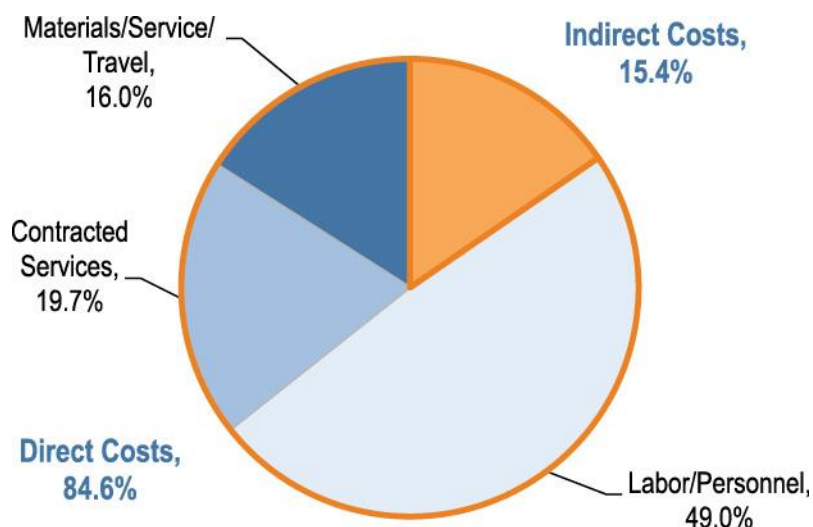
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<sup>28</sup> Staffing costs associated with local service delivery in centralized and combination SAs and costs incurred by LAs were reported separately and thus are not included in these findings. In some instances, small agencies with minimal staff (e.g., small ITOs) might have reported all labor and personnel as a State-level costs.

<sup>29</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000:

<http://www.gao.gov/assets/230/228748.pdf>.

**Exhibit 6.1 Proportion of the FFY 2013 NSA Grant Attributed to Key SA-Level Cost Centers**



Source: FFY 2013 FNS administrative data. Note: Estimates were weighted to represent the population of SAs. Some costs reported by SAs on the SA web survey may support local operations and be reported to FNS as local-level costs on the FNS-798a report.

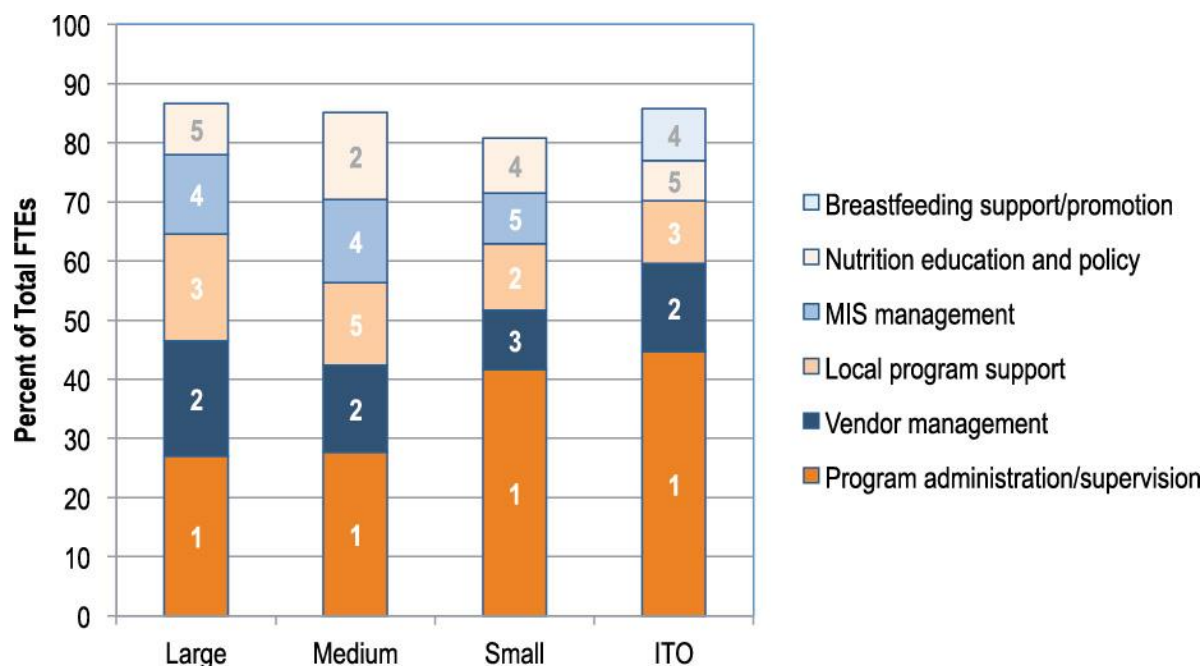
**A. Labor/Personnel**

Although every SA reported some labor and personnel costs, the percentage of costs attributed to this cost center by SA varies. State agencies attribute 43.8 percent of their SA-level costs to labor and personnel on average, which is nearly 14 percentage points less than agencies operated by an ITO (57.5 percent; *p is equal to* .0142). On the labor and personnel survey screen, SAs were asked to report the total number of full-time equivalents (FTEs) and estimate the dollar amount allocated to labor and personnel for each of the SA functions listed in exhibit 6.2. Program administration and supervision accounted for the majority of FTEs reported by State agencies of all sizes and ITOs—between approximately 27 and 45 percent, respectively. Vendor management ranked second among medium (tied with nutrition education and policy) and large State agencies and ITOs and third among small State agencies, accounting for approximately 10 percent to 20 percent of all FTEs, respectively. Local program support ranked second among small State agencies, third among ITOs and large State agencies, and fifth among medium State agencies and accounted for between approximately 11 percent and 18 percent of all FTEs, respectively. Although nutrition education and policy ranked in the top five among State agencies of all sizes and ITOs, its rank also varied across these groups. MIS management accounted for the fourth highest percentage of FTEs among medium and large State agencies and fifth among small State agencies while not even ranking in the top five for ITOs. Likewise, breastfeeding support and promotion accounted for the fourth highest percentage of FTEs among ITOs while not ranking in the top five for other State agencies. Exhibit 6.3 presents the five SA functions to which most FTEs are allocated for each State agency size group and ITOs. The percentage of FTEs allocated to each SA function, including those not shown in exhibit 6.3 are presented in appendix I-4.

**Exhibit 6.2 SA Functions for Which Agencies Estimated FTEs and Labor and Personnel Costs**

- General program administration and supervision
- Local program support
- Vendor management
- Food delivery
- Breastfeeding support and promotion
- Nutrition education and policy
- Management information system (MIS) management (funded from NSA grant only)
- Training: nutrition educator skills
- Other

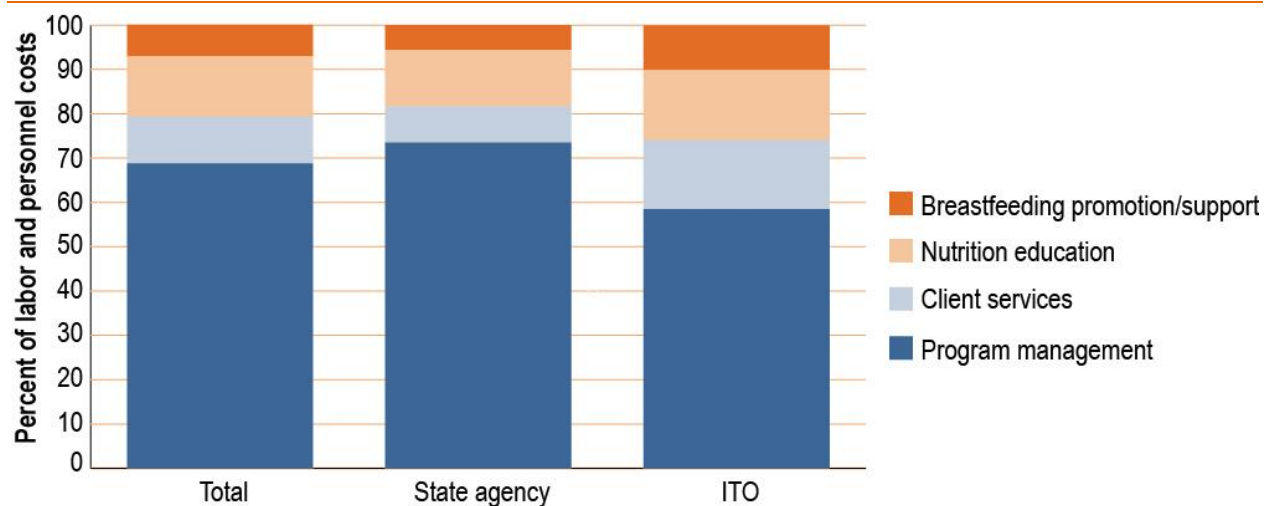
**Exhibit 6.3 SA Functions to Which Most SA-Level FTEs Were Allocated (Top Five) in FFY 2013**



Note: The top five SA functions were determined by calculating then ranking the percentage of FTEs allocated to each SA function. Estimates were weighted to represent the population of SAs using survey weight for full responders. SA size was determined based on FFY 2013 NSA expenditures. Large SAs contributed more than 2 percent of total Federal NSA expenditures; medium SAs contributed between 1 percent and 2 percent of total Federal NSA expenditures; small SAs contributed 1 percent or less of total Federal NSA expenditures; and ITOs were retained as a separate group, since they have unique funding and program administration issues.

On the labor and personnel survey screen, SAs were also asked to estimate the dollar amount of salaries and benefits attributed to these SA functions within each of the four NSA cost categories: program management, client services, nutrition education, and breastfeeding promotion and support. The vast majority of SAs reported that salary and benefit costs support program management (68.8 percent). This percentage varied by agency type: State agencies attributed 74 percent of this cost category to salaries and benefits compared to 58.5 percent reported by ITOs (*p is equal to* .0221). Nutrition education ranked a distant second, composing only 14 percent of all SA-level labor and personnel costs, and client services ranked third (10.5 percent). The smallest percentage of SA-level labor and personnel costs paid out of the NSA grant were attributed to breastfeeding at 7.1 percent overall.

**Exhibit 6.4 Percentage of State-Level Labor and Personnel Costs Attributed to Each of the Four NSA Cost Categories in FFY 2013**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

### B. Contracted Services

Through the Web survey, SAs were asked to estimate the total amount of FFY 2013 NSA funds spent on each of the contracted services identified in exhibit 6.5, as well as the percentage allocated to each of the four cost categories. Contracted services that did not fit into these categories could also be described and reported by SAs.

Overall, 72.1 percent of agencies reported paying for some contracted services out of their NSA grant. However, State agencies were significantly more likely than ITOs to do so (95.8 percent compared to 33.1 percent, respectively; *p* is less than .0001).

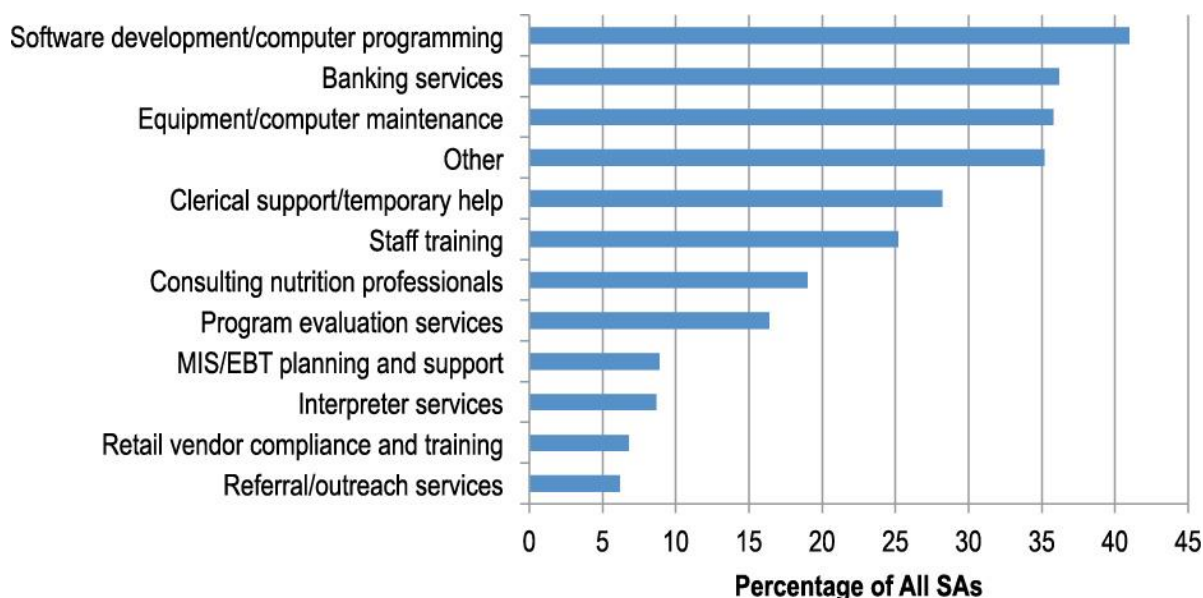
As depicted in exhibit 6.6, software development or computer programming was the most frequently reported type of contracted service (41.0 percent). Approximately one in three SAs reported contract for services other than those listed on the survey, such as equipment and computer maintenance and banking services.<sup>30</sup> Staffing training and consulting nutrition professionals were reported by 25 percent and 19 percent, respectively, of SAs as contracted services paid for with their NSA grant. Costs associated with technology-related contracted services (software development and computer programming and equipment and computer maintenance) are further examined in chapter VIII.

#### Exhibit 6.5 Type of Contracted Services for Which SAs Estimated Annual Expenditures

- Staff training
- Equipment and computer maintenance
- Consulting nutrition professionals
- Program evaluation services
- Clerical support or temporary help
- Software development or computer programming
- Referral or outreach services provided by another agency

<sup>30</sup> Descriptions of “other” contracted services reported by SAs were reviewed and recoded into new or existing categories when possible. Some of the other contracted services that were reported by at least one but fewer than five SAs and thus were not recoded include printing, transportation, fiscal monitoring, and legal support.

## Exhibit 6.6 Percentage of SAs Reporting Contracted Service-Related Costs in FFY 2013



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

On average, SAs expended 19.7 percent of their NSA grant on contracted services. Among SAs reporting expenses on any contracted services, the largest percentage of NSA funds expended on this cost center was 84.4 percent, and the smallest percentage was 1.6 percent. As previously described, SAs were asked to estimate the percentage allocated to the four cost categories in FFY 2013 for each contracted service. Since SAs do not necessarily track contracted service costs by the specific categories listed on the survey, this was a challenging task; thus, the estimates provided by SAs truly reflect their best estimate in most cases. Based on responses provided by 41 SAs, most costs associated with contracted services support program management (66.1 percent). Only 14.3 percent of contracted service-related costs support client services, while approximately 10 percent of these costs support nutrition education and breastfeeding, respectively.

### C. Materials, Services, and Travel

Through the Web survey, SAs were asked to estimate the total amount of FFY 2013 NSA funds spent on materials, services, and travel in each of the categories listed in exhibit 6.7, as well as the percentage allocated to each of the four NSA cost categories. Costs that did not fit into these categories could also be described and reported by SAs.

#### Exhibit 6.7 Type of Material, Service, and Travel Costs for Which SAs Estimated Annual Expenditures

- Supplies
- Equipment
- Travel and conference costs
- Communications/Internet
- Computer equipment/MIS training
- Employee training

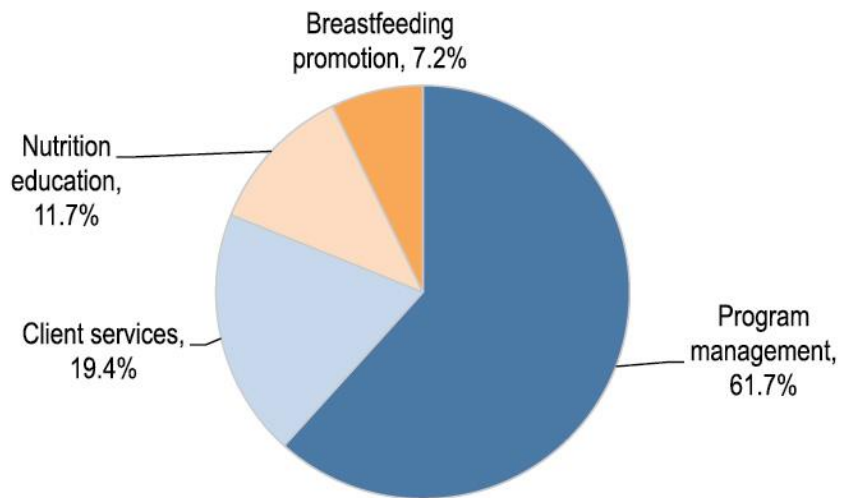
Overall, 95.5 percent of agencies reported paying for some materials, services, and travel out of their NSA grant. Similar rates were observed among State agencies and ITOs when examined separately. Travel and conference related costs were most frequently reported (95.6 percent), followed closely by supplies which were reported by nearly 91 percent of SAs. A majority of SAs also reported communications/Internet-, equipment-, and computer- and MIS training-related costs—approximately 83 percent, 64 percent, and 58 percent, respectively. Nearly 50 percent of SAs also reported employee



training costs. Other costs, such as printing and advertising, rent, postage, and dues, were reported less frequently.

On average, SAs expended 16.0 percent of their NSA grant on materials, services, and travel-related expenses. Among SAs reporting any such expenses, the largest percentage of NSA funds expended on this cost center was 56.4 percent, and the smallest percentage was 1.9 percent. Again, since SAs do not necessarily track materials, services, and travel costs by the specific NSA cost categories listed on the survey, this was a challenging task; thus, the estimates provided by SAs reflect their best estimate in most cases. Based on responses provided by 49 SAs, most costs associated with materials, services, and travel support program management (61.7 percent; exhibit 6.8).

**Exhibit 6.8 Percentage of SA-Level Material, Service, and Travel Costs Attributed to Each of the Four NSA Cost Categories in FFY 2013**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

#### D. Indirect Costs

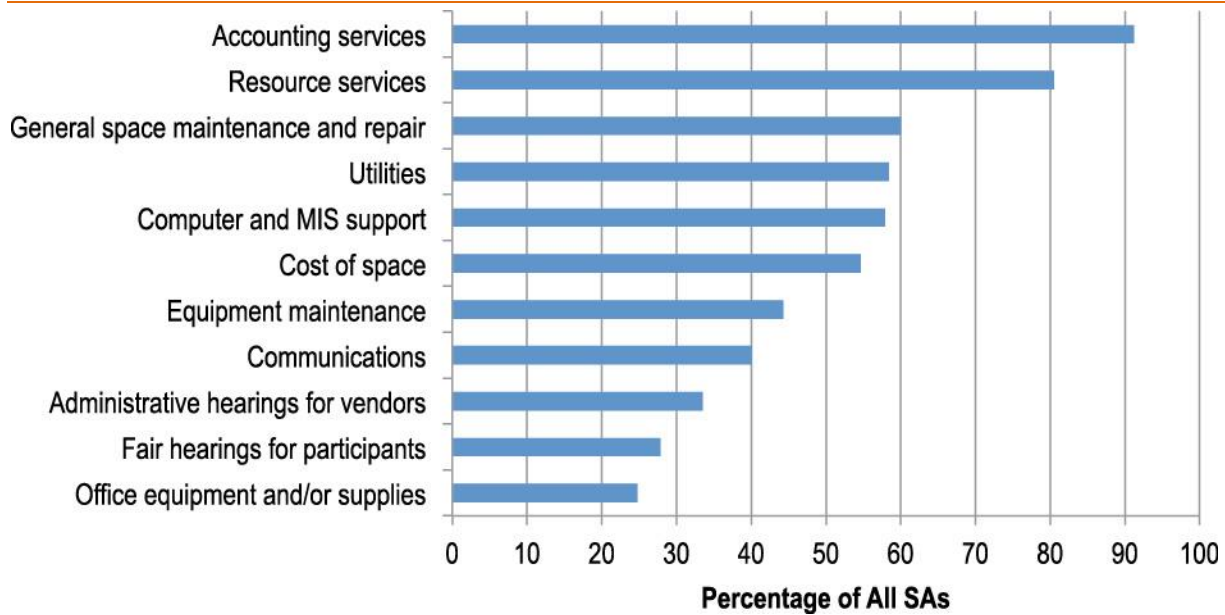
On the Web survey, SAs were asked to report the total amount of FFY 2013 NSA funds spent on indirect costs. In general, indirect costs are incurred for the benefit of multiple programs and therefore cannot be identified readily and specifically with a particular program. Overall, 92.0 percent of SAs reported charging indirect costs to their NSA grant and indirect costs composed 15.4 percent of total SA-level costs on average. Among SAs reporting any indirect costs, the largest percentage of NSA funds expended on this cost center was 70.5 percent and the smallest percentage was less than 1 percent.

When asked about the method used for indirect cost allocation, SAs most frequently reported using a percentage of total salaries or total salaries and benefits as the basis for allocation (47.4 percent). The second most common method was to calculate indirect costs based on a percentage of their total budget, expenditures, or direct costs; 21.6 percent of SAs reported using this approach. Approximately 18 percent of SAs direct charge their indirect costs every year. The remaining 12.8 percent of SAs use other approaches to allocate indirect costs (e.g., set as a fixed dollar amount of the WIC budget).

Often, indirect costs are used to support both overall SA expenditures related to department administration or activities of offices outside of WIC. However, sometimes WIC SAs receive support for activities that are necessary for program activities. As depicted in exhibit 6.9 and according to responses provided on the Web survey, SAs have a variety of costs and receive many services that are paid through indirect costs charged to the NSA grant. Accounting services and human resource services (e.g., staff

recruitment, hiring, employee benefit management, payroll) were reported by the vast majority of SAs as services that are paid through indirect costs—approximately 91 percent and 81 percent, respectively. More than 50 percent of SAs reported costs for general space maintenance and repair, utilities, computer and MIS support, and facility space that were also paid through indirect costs.

**Exhibit 6.9 Percentage of SAs Reporting Various Types of Support in FFY 2013 That Were Paid Through Indirect Costs Charged to Their NSA Grants**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs. Respondents could select more than one response.



The primary source of information for this chapter is the LA Web survey (Appendix I-5 for related data tables). Through the Web survey, LAs provided detailed information on direct and indirect costs associated with local WIC service delivery that were paid for with their FFY 2013 WIC NSA grant. According to the survey, on average, LAs allocated 90.8 percent of their FFY 2013 NSA grant funds to pay for direct costs, which comprise labor and personnel, contracted services, materials, services, and travel, while only 9.2 percent on average was allocated to indirect costs (Exhibit 7.1). In comparison, in FFY 1998, LAs reported that about 95 percent of their NSA grant was used for direct costs and 5 percent was used for indirect costs, according to the 2000 GAO report *Financial Information on WIC Nutrition Services and Administrative Costs*.<sup>31</sup>

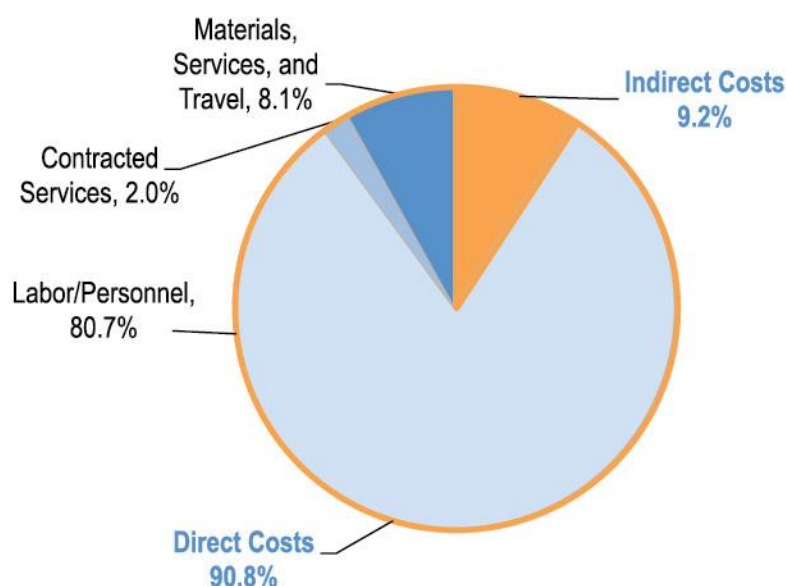
The percentages of NSA grant funds allocated to direct versus indirect costs were examined by agency size and type but varied significantly only by type. On average, LAs operated by local government entities allocated less of their grant to direct costs compared to nongovernment LAs (89.9 percent and 93.0 percent, respectively; *p is less than .001*). Tribal LAs allocated 88.6 percent of of their grant to direct costs, which was not statistically significantly different from the other agency types.

As depicted in exhibit 7.1, labor and personnel account for the vast majority of all costs associated with local service delivery. Subsequently, it is not surprising that, when asked about factors they consider most important in driving overall program costs, interview respondents from the 24 case study LAs most frequently noted salaries, benefits, and the need for additional staff as their biggest expense in an effort to maintain a skilled and experienced staff. Indirect costs ranked second out of the four major cost centers, accounting for approximately 9 percent of all local-level costs reported by LAs on the Web survey. Costs associated with materials, services, and travel and contracted services accounted for an additional 8.1 percent and 2.0 percent of local-level costs, respectively. Additional detail on the specific costs incurred within each of these major cost centers are summarized in the subsequent sections.

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<sup>31</sup> Financial Information on WIC Nutrition Services and Administrative Costs – General Accounting Office, March, 2000: <http://www.gao.gov/assets/230/228748.pdf>.

## Exhibit 7.1 Proportion of the FFY 2013 NSA Grant Attributed to Major Local-Level Cost Centers



Source: LA Web survey. Note: Estimates were weighted to represent the population of LAs.

### A. Labor/Personnel

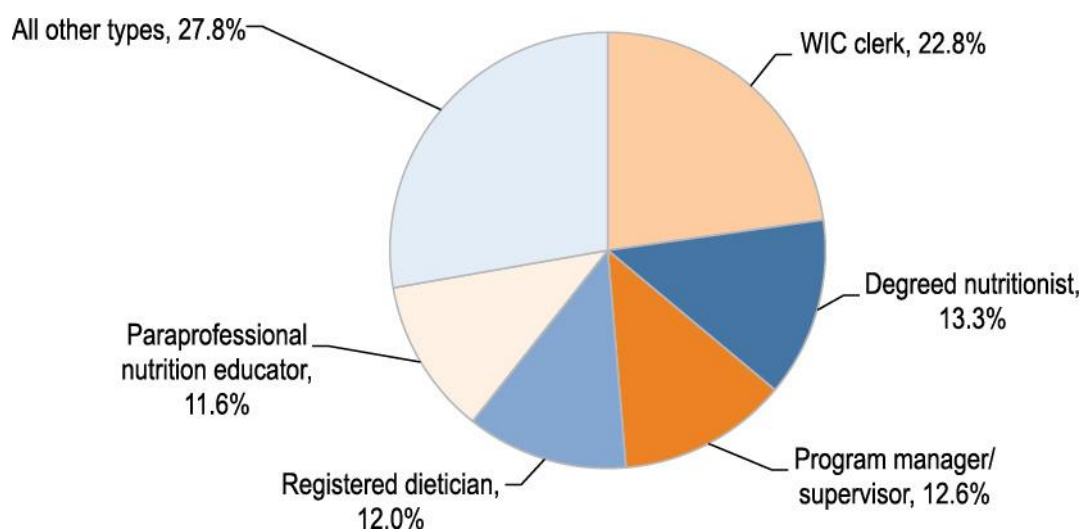
Although every LA reported some labor and personnel costs, the percentage of costs attributed to this cost center varied by LA. When examined by agency size and type, there were no statistically significant differences in the percentage of costs attributed to labor and personnel between groups (Appendix I-5).

On the labor and personnel survey screen, LAs were asked to report the total number of FTEs and estimate the dollar amount allocated to labor and personnel for each of 15 different staff types listed in exhibit 7.2. WIC clerks accounted for the majority of FTEs reported by LAs (22.8 percent), with FTEs for degreed nutritionists ranking second at 13.3 percent. Program manager and supervisor FTEs accounted for the third highest percentage of FTEs (12.6 percent), followed closely by registered dietitians (12.0 percent) and paraprofessional nutrition educators (11.6 percent). Together, these five staff types accounted for nearly three-quarters of all LA FTEs (Exhibit 7.3)

### Exhibit 7.2 Staff Types for Which LAs Estimated FTEs and Labor and Personnel Costs

- Program manager/supervisor
- Registered dietitian
- Degreed nutritionist
- Paraprofessional nutrition educator
- Lab technician/specialist
- WIC clerk
- Degreed breastfeeding specialist
- Breastfeeding peer counselor
- Receptionist
- Public health nurse
- Social worker
- Computer support/maintenance
- Vendor specialist/liaison
- Accounting/financial staff
- Research/evaluation specialist

### Exhibit 7.3 Staff Types to Which LA FTEs Were Allocated in FFY 2013



Source: LA Web survey. Note: Estimates were weighted to represent the population of LAs.

LAs were also asked whether they share staff with other programs, such as the State Child Health Insurance Program or the Health Resources and Services Administration’s Maternal and Child Health Bureau, and what method they used to charge shared staff salaries and benefits to WIC if so. WIC staff that work for multiple program or in multiple WIC cost categories can use one of three approved time study methods for allocating and charging salaries and benefits to WIC: 100 percent time reporting; periodic time studies (one week a month or one month a quarter); and random moment sampling, which is a statically valid method of sampling used by some larger agencies. Overall, 42.6 percent of LAs reported sharing staff with other programs, and among them, 100 percent time reporting was the most common method used to allocate and charge salaries and benefits to WIC (80.0 percent).<sup>32</sup> Periodic time reporting was the second most common method, reported by only 10.0 percent of LAs.

Staff sharing with other programs has the potential to influence an agency’s labor and personnel costs. For example, an agency that requires only a partial FTE to support certain operational functions (e.g., accounting, receptionist) may be able to save on labor and personnel costs if, by sharing these types of staff, it can more efficiently to meet program needs. Indeed, survey data indicate that LAs that share staff with other programs allocated a smaller percentage of their total FFY 2013 costs to labor and personnel compared to agencies that do not (78.5 versus 82.4 percent, respectively; *p is equal to* .0014).

<sup>32</sup> The survey distinguished between “100 percent time reporting,” which may be used for staff assigned to one functional area only; and “continuous time reporting,” which may reflect daily timekeeping across more than one cost area.

## B. Contracted Services

On the LA Web survey, LAs were asked to estimate the total amount of FFY 2013 NSA funds spent on each of the contracted services listed in exhibit 7.4. LAs were also able to describe and report on other contracted services that did not fit into these categories.

Half of the LAs reported paying for some contracted services with their NSA grant. Among those reporting any contracted service-related costs, the average percentage of total costs attributed to this cost center was 4.1 percent and ranged from 54.2 percent to less than 1 percent.

### Exhibit 7.4 Type of Contracted Services for Which LAs Estimated Annual Expenditures

- Staff training
- Equipment and computer maintenance
- Consulting nutrition professionals
- Program evaluation services
- Clerical support or temporary help
- Software development or computer programming
- Referral or outreach services provided by another agency

The types of contracted services that were most frequently reported by LAs were equipment and computer maintenance (21.0 percent), types other than those listed on the survey (19.0 percent), and staff training (12.7 percent). Although other types of contracted services were reported by a substantial number of LAs, together they compose only a fraction of total spending at the local level; thus, individual responses were not recoded with two exceptions. Since many respondents reported facility related expenses (e.g., rent, utilities, maintenance) and interpreter and translation services, these were recoded but were still not one of the predominant types of contracted services procured by LAs. After closely reviewing these other responses, however, it is clear that some agencies contract for services, such as postage, printing, security, insurance, medical waste disposal, and vehicle usage, while others incur these costs directly and reported them as materials, services, and/or travel expenses.

When examined by agency size and type, there were no statistically significant differences in the percentage of total costs attributed to contracted services between groups (Appendix I-5).

## C. Materials, Services, and Travel

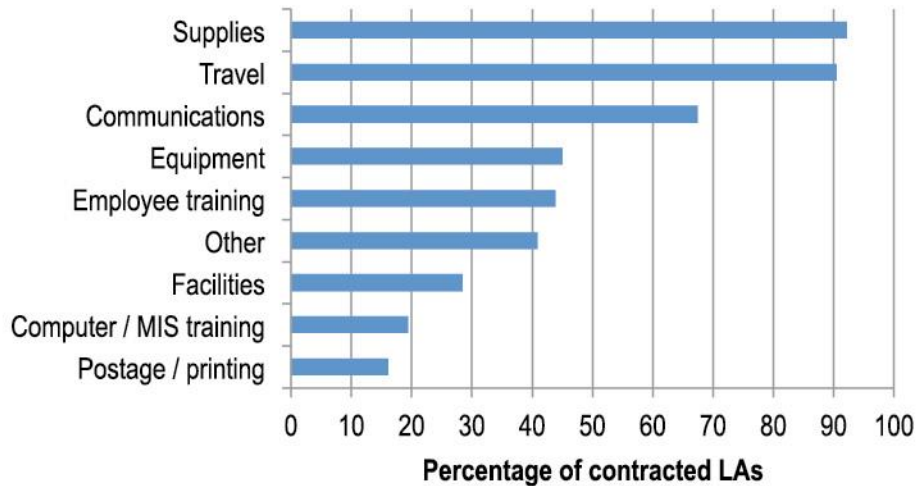
Through the Web survey, LAs were asked to estimate the total amount of FFY 2013 NSA funds spent on each of the material-, service-, and travel-related expenses presented in exhibit 7.5 with the exception of facilities and postage and printing; these were recoded from other responses provided by LAs on the survey. The vast majority of LAs—nearly 96 percent—reported paying for some materials, services, and travel expenses with their NSA grant. Among those reporting any material-, service-, and travel-related costs, the average percentage of total costs attributed to this cost center was 8.4 percent and ranged from 79.5 percent to less than 1 percent. The types of materials, services, and travel costs that were most frequently reported by LAs were supplies (92.2 percent), travel (90.5 percent), and communications (67.5 percent). Since many respondents reported facility-related expenses (e.g., rent, utilities, maintenance), postage, and printing as other types of costs incurred by their agency, these responses were recoded into their own categories. Still, they were not among the most predominant types of materials, services, and travel reported by LAs (Exhibit 7.5).

Statistically significant differences in the percentage of total costs attributed to materials, services, and travel were identified between groups when examined by agency size and type. Specifically, small LAs allocated a smaller percentage of their total costs to materials, services, and travel (7.2 percent) compared to large LAs (9.8 percent; *p is equal to* .007) and medium LAs (8.9 percent; *p is equal to* .01). Similarly, local government LAs allocated a smaller percentage of their total costs to materials, services, and travel



than did non-government LAs—6.7 percent compared to 10.7 percent (*p is less than 0.0001*), respectively (Appendix I-5).

**Exhibit 7.5 Percentage of LAs That Report Various Types of Material-, Service-, and Travel-Related Costs in FFY 2013**



Source: LA Web survey. Note: Estimates were weighted to represent the population of LAs.

LAs were also asked whether they shared costs such as office space or materials with other programs with which they were located and, if so, what method they used to allocate shared costs to WIC. Overall, 42.3 percent of LAs reported sharing costs with other programs, which is similar to the percentage of agencies reporting that they share staff with other programs (42.6 percent; see section VII.A). Percentage of time spent working on WIC or percentage of space WIC occupies in a shared facility were the predominant methods by which agencies allocate shared costs to the program, reported by 71.0 percent of agencies. Formula allocation based on a negotiated rate was the second most common method (8.5 percent).

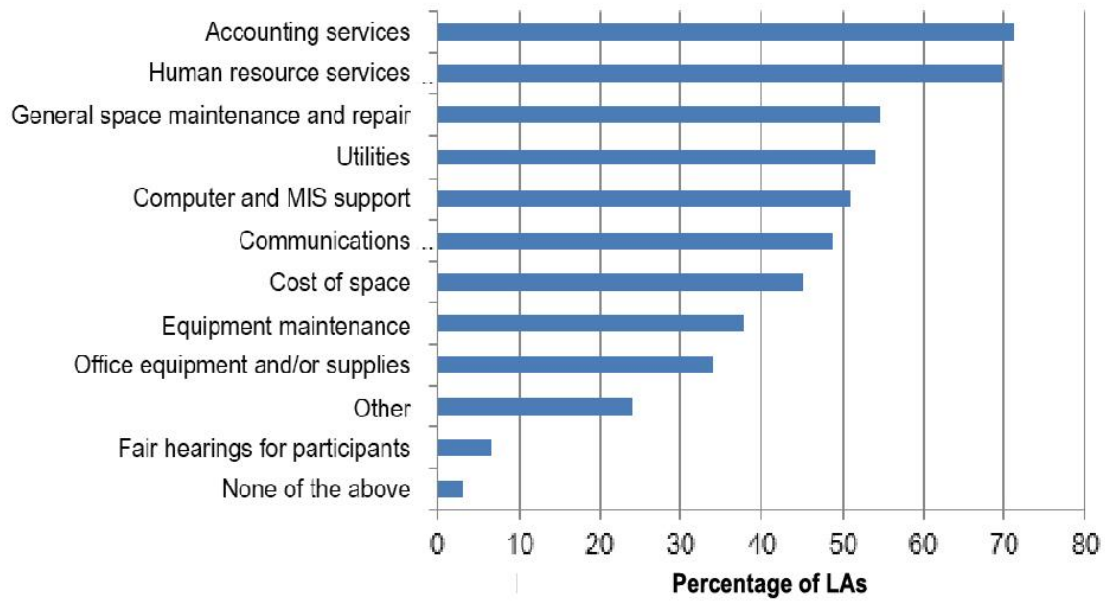
#### D. Indirect Costs

On the Web survey, LAs were asked to report the total amount of FFY 2013 NSA funds spent on indirect costs. Overall, 65.4 percent of LAs reported charging indirect costs to their NSA grant. The percentage of agencies reporting indirect costs did not vary by agency type but varied significantly by agency size (*p is less than .001*). Approximately 78 percent of large LAs charge indirect costs to their WIC grant, compared to 70.4 percent of medium agencies and 59.6 percent of small agencies.

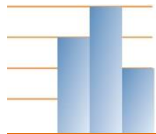
When asked about the method used for indirect cost allocation, approximately one-third of LAs reported using a percentage of total salaries or of total salaries and benefits as the basis for allocation, while another 28.2 percent reported calculating indirect costs as a percentage of their total budget or expenditures. A smaller percentage of agencies reported setting indirect costs as a fixed dollar amount of the WIC budget or using other methods.

As depicted in exhibit 7.6, LAs reported various types of support that are paid through their indirect costs. For example, 71.2 percent of LAs that charge indirect costs to their NSA grant receive accounting services, and 69.7 percent receive human resource services (e.g., staff recruitment, hiring, employee benefit management, payroll). General space maintenance and repair, utilities, and computer and MIS support were also reported by one out of every two LAs.

**Exhibit 7.6 Percentage of LAs Reporting Various Types of Support in FFY 2013 That Were Paid Through Indirect Costs Charged to Their NSA Grant**



Source: LA Web survey. Note: Estimates were weighted to represent the population of LAs.



## Chapter VIII: Factors Influencing NSA Costs

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Chapter VIII describes the influence of various factors on NSA costs in recent years (since FFY 2010) or in FFY 2013 specifically. The findings presented herein are based primarily on information obtained through the SA and LA Web surveys. Data tables associated with this chapter can be found in appendix I-6.

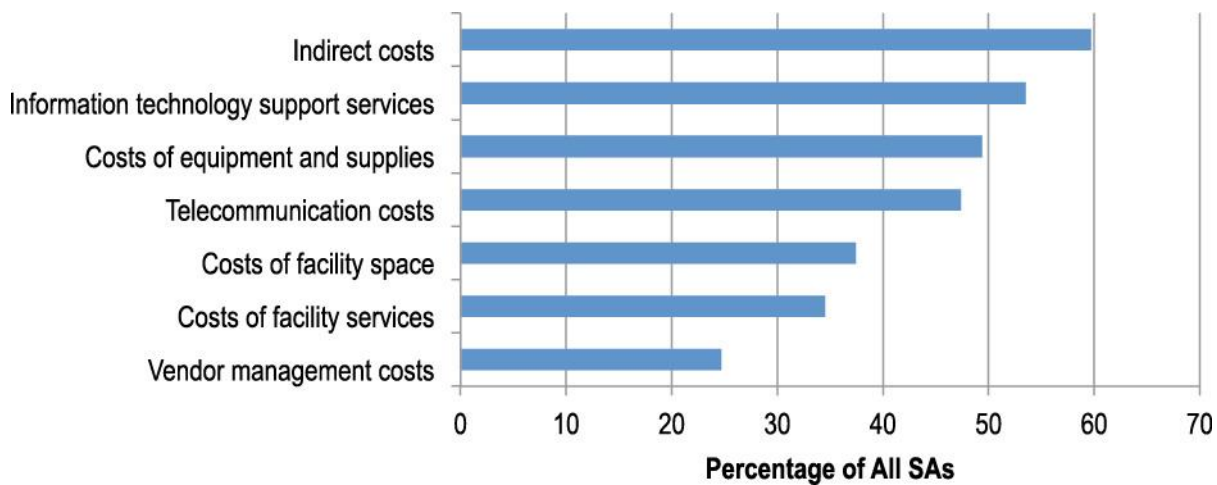
### A. Factors SAs Attribute to Increases in SA-Level Costs in Recent Years

All SAs were asked to identify factors that may have led to increases in their staffing and overall program costs since FFY 2010, such as fringe benefit rates, program participation, indirect costs, access to outside funding, in-kind contributions, facility costs, and IT support services. Factors were grouped into three categories: staffing, facility and support services, and program operations. SAs had the option of selecting “other” and describing factors that had increased their costs but were not included as a survey response option. Because they were not first asked to indicate whether their costs had increased, it is reasonable to assume that SAs selecting “none of the above” most likely had costs that decreased or remained the same between FFY 2010 and FFY 2013.

When asked specifically about factors that have increased SA-level staffing costs since FFY 2010, increases in fringe benefit costs and staff salaries were the most common responses, reported by 65.1 percent and 61.9 percent of SAs, respectively. Increased staff travel costs, number of FTEs, and staff training costs were reported by approximately one-quarter to one-third of all SAs. Only 7.6 percent of SAs selected “none of the above” which most likely indicates that their staffing costs did not increase.

When asked about factors related to facility costs and support services that have increased SA-level costs, only 20.6 percent of all SAs selected “none of the above,” indicating that nearly 80 percent of SAs experienced an increase in costs associated with facilities and/or support services (e.g., increase costs of facility space, increase in telecommunication costs). Similarly, when asked about factors related to program operations (e.g., increase indirect costs, increase in vendor management costs), a majority of SAs (72.3 percent) reported that one or more factors contributed to an increase in their SA-level costs. Exhibit 8.1 presents the non-staffing related factors that were most commonly reported by SAs as having increased their costs since FFY 2010. For example, more than half of SAs indicated that increases in indirect costs (59.7 percent) and information technology support services (53.5 percent) have increased their SA-level costs overall. Increases in the costs of equipment and supplies, telecommunications, facility space (e.g., rent, utilities), facility services (e.g., security, maintenance), and vendor management were also commonly reported (Exhibit 8.1). A number of other facility- and program operations-related factors also contributed to increased costs in recent years but were reported by only a small percentage of SAs (Appendix I-6).

**Exhibit 8.1 Factors Other Than Staffing That SAs Report Have Increased Their Costs Since FFY 2010**



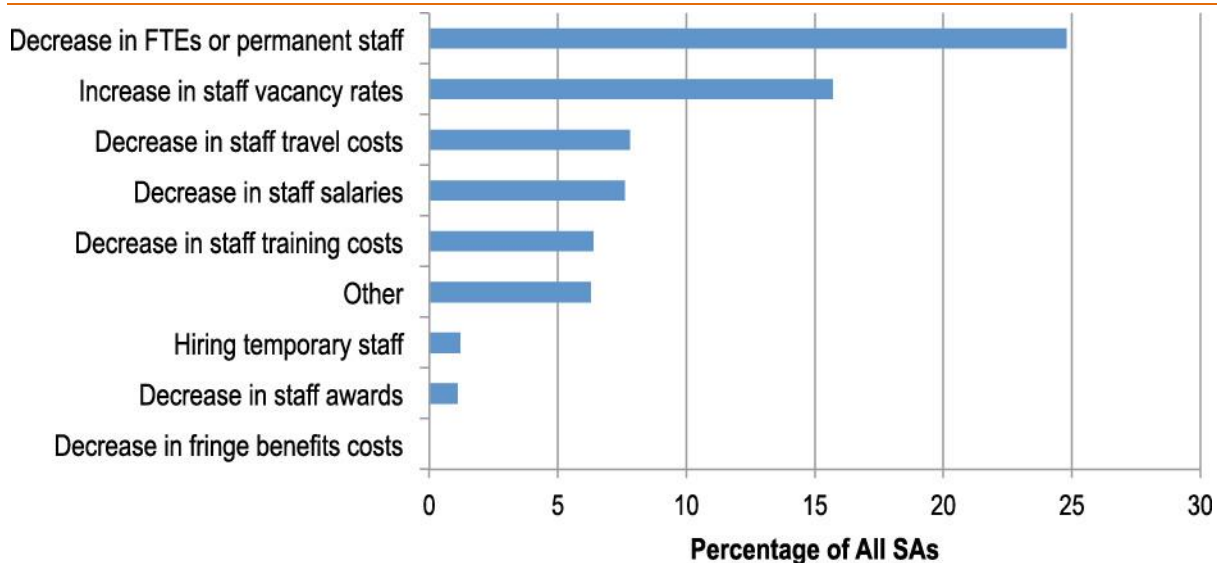
Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

**B. Factors SAs Attribute to Decreases in SA-Level Costs in Recent Years**

SAs were asked whether any factors contributed to a decrease in program costs between FFY 2010 and FFY 2013. Factors were grouped into three categories: staffing, facility and support services, and program operations. Again, SAs had the option of selecting “other” and describing factors that had decreased their costs but were not included as a survey response option. Because they were not first asked to indicate whether their costs had decreased, it is reasonable to assume that SAs selecting “none of the above” most likely had costs that increased or remained the same between FFY 2010 and FFY 2013.

While 55.6 percent of all SAs did not report a decrease in staffing costs, 44 percent reported that one or more factors contributed to a decrease in costs related to staffing. The two most commonly reported factors were a decrease in staffing or FTEs (24.8 percent) and an increase in staff vacancy rates (15.7 percent). Other factors, such as a decrease in staff travel costs, reductions in staff salaries, and a decrease in staff training costs, also contributed to a decrease in staffing costs for some SAs but were reported infrequently. Exhibit 8.2 displays all of the staffing factors and the percentage of SAs reporting each.

**Exhibit 8.2 Factors That SAs Report Have Decreased Their Staffing Costs Since FFY 2010**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs.

Nearly 80 percent of all SAs reported that none of the facility and support service-related factors had contributed to a decrease in costs since FFY 2010. Among this set of factors, decreases in the costs of telecommunications and equipment/supplies were reported most frequently but by only 8.1 percent and 7.1 percent of SAs, respectively.

Forty-three percent of SAs reported that one or more factors related to program operations had decreased SA-level costs since FFY 2010. Approximately 30 percent of SAs indicated that decreases in program participation have decreased their SA-level costs, while 18.6 percent of SAs reported that a decrease in LA NSA grant funds had decreased their costs. Decreases in the number of clinic sites (5.9 percent), indirect costs (3.5 percent), and a number of other factors also contributed to decreased costs but were reported much less frequently (Appendix I-6 for additional detail).

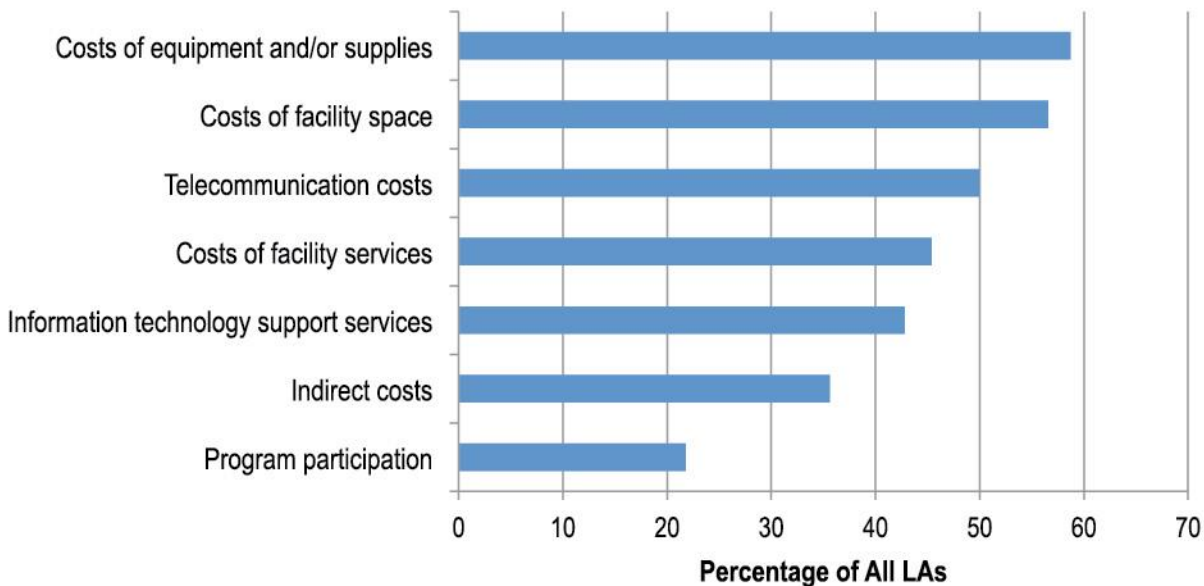
### **C. Factors LAs Attribute to Increases in Local-Level Costs in Recent Years**

All LAs were asked to identify factors that may have led to increases in their staffing and overall program costs since FFY 2010. Factors were grouped into three categories: staffing, facility and support services, and program operations. LAs had the option of selecting “other” and describing factors that had increased their costs but were not included as a survey response option. LAs selecting “none of the above” most likely had costs that decreased or remained the same between FFY 2010 and FFY 2013.

When asked specifically about factors that have increased LA-level staffing costs since FFY 2010, increases in fringe benefit costs and staff salaries were the most common responses, reported by 81.1 percent and 77.4 percent of LAs, respectively. Increases in staff travel costs, number of FTEs, and staff training costs were also reported by approximately one-quarter to one-third of all LAs, similar to the rate of SAs reporting these factors. Only 5.2 percent of all LAs selected “none of the above” which most likely indicates that their staffing costs did not increase during the specified time frame.

When asked about factors related to facility costs and support services that have increased LA-level costs, only 13.9 percent of all LAs selected “none of the above,” indicating that more than 86 percent of LAs experienced an increase in costs associated with facilities and/or support services (e.g., increased cost of facility space, increase in telecommunication costs). Similarly, when asked about factors related to program operations (e.g., increase indirect costs, increase in program participation), a majority of LAs (65.5 percent) reported that one or more factors contributed to an increase in their costs. Exhibit 8.3 presents the non-staffing related factors that were most commonly reported by LAs as having increased their costs since FFY 2010. More than half of LAs indicated that increases in the costs of equipment and supplies (58.7 percent), facility space (56.6 percent), and telecommunications (50.0 percent) have increased their costs overall. Increases in the costs of facility services, information technology support services, indirect costs, and program participation were also commonly reported (Exhibit 8.1). A number of other facility- and program operations-related factors also contributed to increased costs in recent years but were reported by only a small percentage of LAs (Appendix I-6).

**Exhibit 8.3 Factors Other Than Staffing That LAs Report Have Increased Their Costs Since FFY 2010**



Source: LA Web survey. Note: Estimates were weighted to represent the population of LAs

**D. Factors LAs Attribute to Decreases in Local-Level Costs in Recent Years**

All LAs were also asked to identify factors that may have led to decreases in their staffing and overall program costs since FFY 2010. Factors were grouped into three categories: staffing, facility and support services, and program operations. LAs had the option of selecting “other” and describing factors that had decreased their costs but were not included as a survey response option. LAs selecting “none of the above” most likely had costs that increased or remained the same between FFY 2010 and FFY 2013.

While 48.3 percent of all LAs did not report a decrease in staffing costs, 51.7 percent reported that one or more factors contributed to a decrease in costs related to staffing. For example, more than one-third of LAs indicated that a decrease in FTEs or permanent staff had contributed to decreased staffing costs since FFY 2010.

When asked about facility and program size and operation-related factors that have decreased their costs since FFY 2010, the vast majority of LAs reported that none of them had contributed to decreased costs. More specifically, 89.2 percent of LAs indicated that none of the facility-related factors had decreased their costs, and 52.7 percent indicated that none of the factors related to program size (e.g., number of clinics, LA size) and operations had decreased their costs. Approximately 30 percent of LAs indicated that decreases in program participation have decreased their local-level costs since FFY 2010, which corresponds with the 30 percent of SAs that reported a decrease in costs due to declining program participation. This is an indication that a large portion of SAs and LAs have reduced their NSA costs in response to lower demand for program benefits and services.

**E. Relationship Between Technology and NSA Costs**

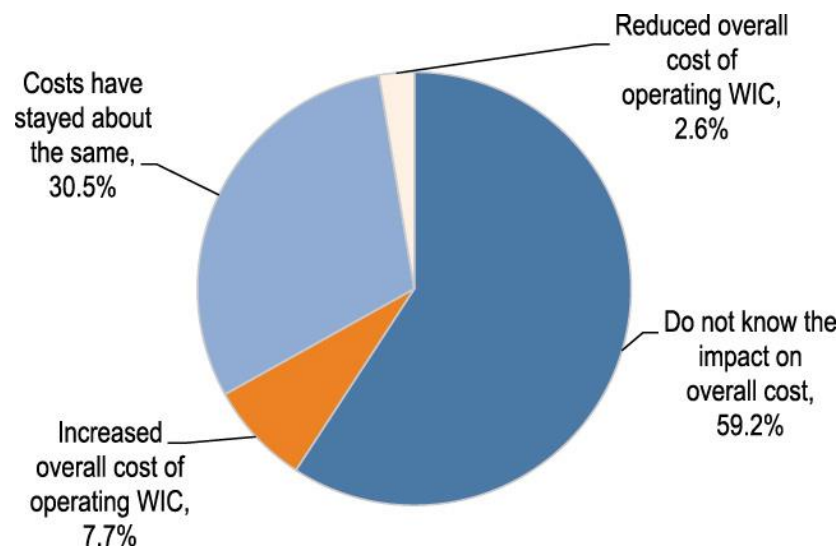
SAs and LAs continually implement more sophisticated MIS to make their certification and food delivery processes more efficient. Also, many SAs are in the process of implementing an EBT system to replace their paper food instrument systems to deliver food benefits to participants. It is difficult to determine whether this increased use of technology has increased or decreased SA and LA need for NSA funds for



this segment of program operations. In fact, when SAs with a new MIS (1–4 years old;  $n = 17$ ) were asked on the survey about the net impact of MIS on their total NSA expenditures, 30 percent reported that they did not know. Approximately 36 percent of SAs with a new MIS reported that the impact has been cost-neutral (their costs have stayed about the same), 23.6 percent reported an overall increase, and 10.7 percent reported an overall decrease in the cost of operating WIC due to MIS implementation and management.

Similarly, when SAs that were currently piloting or implementing EBT ( $n = 63$ ) were asked on the survey about the net impact of EBT on their total NSA expenditures, a majority (59.2 percent) reported that they did not know. Approximately, 31 percent of these same SAs reported no impact while a smaller percentage reported an increase or decrease (Exhibit 8.4).

**Exhibit 8.4 Percentage of SAs Reporting Net Impact of EBT on NSA Expenditures, FFY 2013**



Source: SA Web survey. Note: Estimates were weighted to represent the population of SAs

The amount SAs spend on various technology-related labor, contracted services, and materials, services, and travel was also examined. Exhibit 8.5 presents the average percentage of total NSA costs that were spent on four technology-related cost categories. On average, 3.3 percent of total NSA costs reported by SAs on the survey were spent on MIS management personnel. A similar percentage of total NSA costs are attributed to contracted software development and computer programming (3.5 percent) and contracted equipment and computer maintenance (4.0 percent). A smaller percentage of NSA costs were attributed to computer equipment and MIS training (1.9 percent). The percentage of funds allocated to technology-related costs centers was also examined by the age of an SA’s MIS and by the stage of EBT implementation, but no statistically significant associations were found (Appendix I-6).

**Exhibit 8.5 Average Percentage of SA Costs Attributable to Various Technology-Related Support and Development, FFY 2013**

Type of technology-related support	n	Mean	Standard deviation	Range
<b>Total</b>	<b>64</b>	<b>13.1</b>	<b>17.6</b>	<b>(0, 74.5)</b>
<i>Personnel: MIS management funded from NSA</i>	67	3.3	4.6	(0, 17.0)
<i>Contracted services: software development or computer programming</i>	66	3.5	12.7	(0, 74.5)
<i>Contracted services: equipment or computer maintenance</i>	67	4.0	10.1	(0, 42.0)
<i>Materials/services/travel: computer equipment and MIS training</i>	64	1.9	3.3	(0, 14.9)

Source: SA Web survey. Note: Estimates are weighted to represent the population of SAs using the full responder weight. Sum of mean percentages across categories do not equal total mean percentage due to varying sample sizes across categories. The mean for the Contracted services: software development or computer programming estimate does not meet the criteria for statistical reliability (relative standard error is greater than 30); thus the results should be interpreted with caution.

Although the Web survey data allow only for a point-in-time examination of technology-related costs, it is clear from the case study interviews: SAs are concerned about the proportion of their grant that is currently being used or that may need to be used in the future to support MIS and EBT implementation and maintenance. When asked about factors they consider most important in driving their overall program costs and how much control they have over these factors, 8 of the 14 case study SAs mentioned costs associated with MIS or EBT or both. The concerns raised by respondents were varied but pervasive. For example, some SAs discussed concerns related to procuring contractors. Since there are relatively few contractors bidding on these projects, some SAs believe they may be vulnerable to cost increases, because they have limited procurement options. Other SAs noted that the increased demand of MIS and EBT projects has led to substantial increases in staff resources.

*One of the biggest [factors] over the past several years has been the bigger demand for MIS and EBT projects. As little as 5 years ago, we didn't even have program staff designated for MIS. Everything we needed for MIS was done through our agency's IT department. We started out with one person in that role, and now we have five State-level people....*

—SA CASE STUDY RESPONDENT

Still, others noted that it is challenging to budget for these large MIS and EBT expenditures, since they don't know well enough in advance whether their SA will receive other Federal or operational adjustment funds to support these projects. If not, SAs must react quickly and cover these costs with their NSA grant.

*...in the MIS and EBT area, not knowing if we are going to get any funds for this or if we have to try to use NSA funds. We don't have much control over these things; we have to react to situations.*

—SA CASE STUDY RESPONDENT

## F. Data-Driven Examination of Factors That Influence Overall NSA Expenditures

### i. Economies of scale

In theory, the size of an SA or LA or other factors associated with how the SA or LA operates may influence its cost per participant. For example, it may be that larger agencies have lower costs per participant, which is called “economies of scale”; or that larger agencies have higher costs per participant, which is called “diseconomies of scale.” Economies of scale generally occur when there are large fixed costs that must be incurred regardless of agency size. Diseconomies of scale generally occur when increasing size leads to increasingly complex management requirements.

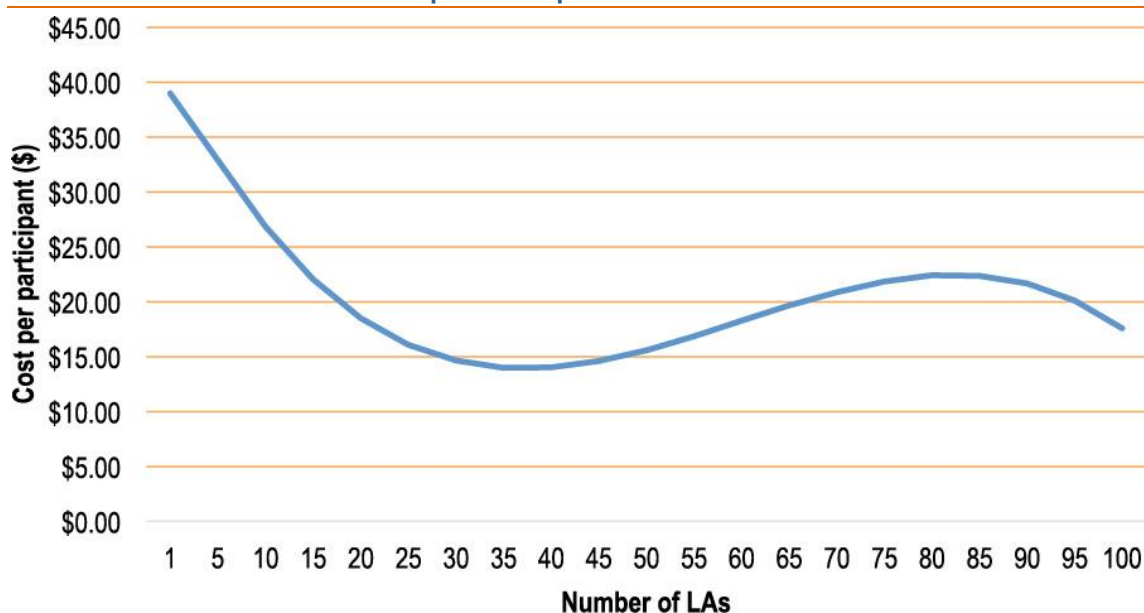
When a number of factors were considered, only the number of LAs within a State had any impact on economies of scale. Exhibit 8.6 presents results from regressions testing for economies of scale in SAs. All three specifications find that the number of LAs has a statistically significant impact on cost per participant. Comparing the  $R^2$  statistics for each specification shows that the cubic specification fits the data best. Exhibit 8.7 shows what the specification predicts for SA cost per participant based on the number of LAs. Results show that there are initially strong economies of scale for SAs, but there are diseconomies of scale after SAs exceed 35 LAs. In SAs with a large number of LAs, it is possible that there are more LAs of a smaller size. If smaller LAs require greater management costs, this factor may be driving the result rather than the total number of LAs. We are unable to disentangle the two factors in this analysis.

**Exhibit 8.6 Regression Analysis Testing the Influence of the Number of LAs on SA Cost per Participant**

Variable	Linear specification	Quadratic specification	Cubic specification
Number of LAs	-0.280 p-value less than 0.01	-0.868 p-value less than 0.01	-1.690 p-value less than 0.01
Standard Error	(0.0632)	(0.186)	(0.363)
Number of LAs (squared)	-	0.00720 p-value less than 0.01	0.0330 p-value less than 0.01
Standard Error	-	(0.00215)	(0.0101)
Number of LAs (cubed)	-	-	-0.000184 p-value less than 0.05
Standard Error	-	-	(7.06e-05)
Intercept	35.00 p-value less than 0.01	38.25 p-value less than 0.01	40.58 p-value less than 0.01
Standard Error	(2.006)	(2.133)	(2.251)
R2	0.183	0.276	0.329
N	90	90	90

Note: Each column represents a different estimated specification of the regression equation. In the linear specification the following regression equation is estimated: cost per participant equals Intercept plus  $\text{Beta}_1$  times number of LAs. In the quadratic specification, the following regression equation is estimated: Cost per participant equals Intercept plus  $\text{Beta}_1$  times number of LAs plus  $\text{Beta}_2$  times number of  $\text{LAs}^2$ . For more details see the methodology section. In the cubic specification the following regression equation is estimated: Cost per participant equals Intercept plus  $\text{Beta}_1$  times number of LAs plus  $\text{Beta}_2$  plus number of  $\text{LAs}^2$  plus  $\text{Beta}_3$  times number of  $\text{LAs}^3$ . For more details, refer to the methodology section.

**Exhibit 8.7 Estimated SA Cost per Participant Based on the Number of LAs**



With regard to LAs, the total participants of the LA had a statistically significant impact on economies of scale. Exhibit 8.8 presents results from regressions testing for economies of scale in LAs. All three specifications find that LA caseload has a statistically significant impact on cost per participant. The estimated coefficients are very small, but the mean monthly participation is 58,139 and the standard deviation is 137,896, so the results indicate that a 1-standard deviation increase in participants would decrease cost per participant by \$4.62. However, the  $R^2$  statistics indicate that the model fits are very poor (i.e., they explain very little of the variation in cost per participant), implying that caseload may not be an important driver of LA cost per participant.

**Exhibit 8.8 Regression Analysis Testing the Influence of the Number of Participants on Cost per Participant in LAs**

Variable	Linear specification	Quadratic specification	Cubic specification
Caseload (in thousands)	-0.0088 p-value less than 0.05	-0.0188 p-value less than 0.01	-0.0399 p-value less than 0.01
Standard Error	(0.00273)	(0.00439)	(0.0082)
Caseload <sup>2</sup> (in thousands)	-	5.69e-06 p-value less than 0.05	4.76e-05 p-value less than 0.01
Standard Error	-	(1.95e-06)	(1.41e-05)
Caseload <sup>3</sup> (in thousands)	-	-	-1.06e-08 p-value less than 0.01
Standard Error	-	-	(3.52e-09)
Intercept	18.86 p-value less than 0.01	18.31 p-value less than 0.01	18.97 p-value less than 0.01
Standard Error	(0.409)	(0.438)	(0.488)
R2	0.007	0.012	0.018
N	1,549	1,549	1,549

Note: Each column represents a different estimated specification of the regression equation. In the linear specification the following regression equation is estimated: Cost per participant equals Intercept plus beta<sub>1</sub> times number of LAs. In the quadratic specification the following regression equation is estimated: Cost per participant equals Intercept plus beta<sub>1</sub> times number of LAs plus beta<sub>2</sub> times number of LAs<sup>2</sup>. For more details, refer to the methodology section. In the cubic specification the following regression equation is estimated: Cost per participant equals Intercept plus beta<sub>1</sub> times number of LAs plus beta<sub>2</sub> times number of LAs<sup>2</sup> plus beta<sub>3</sub> times number of LAs<sup>3</sup>. For more details refer to the methodology section.

**ii. Impact of infant formula rebates on NSA costs**

As previously described, most WIC SAs are required to establish competitively bid rebate contracts with infant formula manufacturers. The SA issues the contract brand of infant formula and it receives a rebate for each can of the contract brand of infant formula purchased by WIC participants. Some SAs have additional rebate contracts for infant foods as well as formula. In FFY 2013, approximately \$1.88 billion in rebates were received by SAs, mostly from infant formula contracts, which represents a substantial reduction to the Program’s annual food expenditures. In other words, the Program issues a total of \$6.38 billion in food benefits, but \$1.88 billion of these costs are offset by the rebates. When the Program’s gross food costs (pre-rebate) are considered, the proportion of WIC dollars allocated to NSA changes substantially, from nearly 30 percent to less than 23 percent (Exhibit 8.9). Moreover, if the 559 million NSA dollars allocated to nutrition education and breastfeeding promotion and support—additional benefits of the Program—are shifted from an “administrative cost” to a “program benefit cost,” the proportion of WIC dollars allocated for administrative expenses is further reduced to approximately 16 percent.

**Exhibit 8.9 Percentage of WIC Dollars Allocated to NSA and Food Costs, FFY 2013**

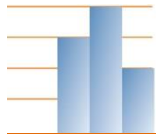
Rebate Status	Total WIC Costs	NSA Costs	% Allocated to NSA	Food Costs	% Allocated to Food
<b>Pre-rebate</b>	\$8.26 billion	\$1.88 billion	22.8%	\$6.38 billion	77.2%
<b>Post-rebate</b>	\$6.39 billion	\$1.88 billion	29.5%	\$4.50 billion	70.5%

Note: percentages may not add to 100 percent due to rounding.

**Exhibit 8.9 Percentage of WIC Dollars Allocated to Administrative and Benefit Costs**

Rebate Status	Total WIC Costs	Administrative Costs	% Allocated to Administrative	Benefit Costs	% Allocated to Food
<b>Pre-rebate</b>	\$8.26 billion	\$1.33 billion	16.1%	\$6.94 billion	84.0%

Note: percentages may not add to 100 percent due to rounding. Administrative costs include only program management and client service expenditures. Benefit costs include nutrition education and breastfeeding promotion and support expenditures.



## Chapter IX: Comparison to SNAP and TANF Costs

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Chapter IX addresses study objective 4, which required a comparison between WIC administration costs and administration costs in other similar Federal programs. It describes how WIC expenditures compare to those from SNAP and the TANF block grant. These programs were selected for comparison because they serve a similar population in terms of income eligibility and were expected to have somewhat similar cost categories that could be compared. Information included in this chapter was gathered from financial reports submitted by States to the Federal sponsoring agencies and through case studies conducted in a small number of States.

### A. TANF

TANF is designed to help low-income families achieve self-sufficiency. States receive block grants from ACF to design and operate programs that accomplish one or more of the purposes of TANF. The four purposes of TANF are as follows:

- Provide assistance to needy families so that children can be cared for in their own homes;
- Reduce the dependency of needy parents by promoting job preparation, work, and marriage;
- Prevent and reduce the incidence of out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two-parent families.

The basic TANF block grants have remained at a level of \$16.5 billion since 1996, when the program was created; but on occasion, Congress has supplemented the block grants with special appropriations. For example, in FFY 2009, Congress appropriated an additional 5 billion in TANF funding due to the economic recession.

In addition to the Federal funds, States are required to contribute funds based on a formula that was created to ensure Maintenance of Effort (MOE) when TANF replaced the former Aid to Families with Dependent Children (AFDC) program in 1996. State-level MOE requirements are fixed as a percentage of the States' contribution during the last year of AFDC. These funds serve as a State program match to the Federal funds and are included in total expenditures reported to ACF. In FFY 2013, around 4 million individuals received one or more forms of TANF benefits.

TANF programs divide their expenditures into cash benefits and other non-cash expenditures that include both some administrative costs and other types of program benefits that are usually provided through contract agencies or local TANF offices. A portion of the funds are used for administrative functions such as eligibility determination and benefit issuance. However, as with WIC, there are some non-cash expenditures that could be considered "benefits." For example, TANF provides programs such as employment support, tax credits, child care assistance, support for new fathers, programs to prevent out-of-wedlock pregnancy, and transportation services for clients. In addition, a portion of the TANF funds is transferred to the Child Care Development Fund and the Social Services Block Grant. Different from WIC, TANF does not provide food benefits to program participants. For the purpose of comparing WIC and TANF in this section, expenditures are examined in two different ways. First, food/cash benefit expenditures are compared to non-food/cash expenditures. Second, expenditures on all types of program benefits are compared to non-benefit or administrative expenditures.

A comparison of the overall division of expenditures for WIC and TANF shows significant differences. Exhibit 9.1 presents the national-level split for WIC and TANF expenditures as they relate to food/cash



benefits and the non-food/cash expenditures. Expenditures for food/cash benefits in FFY 2013 were 77 percent of the total WIC expenditures with 23 percent for non-food/cash, whereas for TANF, the majority of the expenditures (66 percent) were for non-food/cash; but again, for both programs, the portion of expenditures that are non-food/cash include costs for services that could be considered benefits.

**Exhibit 9.1 Total FFY 2013 Food/Cash Benefit and Non-Food/Cash Expenditures for WIC and TANF**

Program	Food/cash benefit expenditures	Non-food/cash expenditures	Total	Percentage for non-food/cash expenditures
WIC	\$6,377,128,171	\$1,881,674,822	\$8,258,802,993	23%
TANF	\$9,879,588,415	\$19,267,498,437	\$29,147,086,852	66%

Source: FFY 2013 FNS and ACF administrative data. Note: WIC food benefit and total expenditures include approximately \$1.88 billion in issued food benefits that are offset by rebates. Non-food expenditures include the total amount spent on NSA.

For the second comparison, WIC expenditures reported in the categories Program Management and Client Services are included as WIC “administrative” expenditures, and “benefit expenditures” comprise WIC food expenditures and expenditures reported for both Nutrition Education and Breastfeeding Promotion and Support. Because the nutrition education and breastfeeding services are provided directly to participants as a WIC benefit, it may be more accurate to include these along with food as “benefit expenditures” when comparing the WIC and TANF expenditures. Similarly for TANF, cash and non-cash benefit expenditures are added together to comprise the TANF benefit expenditures. The TANF administrative expenditures are similar to those for WIC as they include the salaries and benefits of staff performing administrative and coordination functions (e.g., eligibility determinations) but exclude the direct costs of providing program services. TANF administrative expenditures are tracked separately by the Program and are therefore not derived for the comparison. In this scenario, shown in exhibit 9.2, administrative expenditures for WIC were 16 percent of the total in FFY 2013 compared to 7 percent for TANF. The large difference between the dollar value of the benefits provided for WIC and TANF clients should be considered when making a comparison of the programs.

**Exhibit 9.2 FFY 2013 Benefit and Administrative Expenditures for WIC and TANF When Nutrition Education and Breastfeeding Costs Are Included as Benefits**

Program	Benefit expenditures	Administrative expenditures	Total	Percentage for administrative expenditures
WIC	\$6,936,448,145	\$1,326,428,599	\$8,258,802,993	16%
TANF	\$29,147,086,852	\$2,074,983,326	\$31,222,070,178	7%

Source: FFY 2013 FNS and ACF administrative data.

Note: WIC food benefit and total expenditures include approximately \$1.88 billion in issued food benefits that are offset by rebates. WIC food benefit also includes NSA costs associated with Nutrition Education and Breastfeeding Promotion and Support. WIC administrative expenditures include Federal NSA expenditures associated with Program Management and Client Services only. TANF administrative costs include costs for general administration and coordination of the TANF programs, including for example: the salaries and benefits of staff performing administrative and coordination functions, contract and indirect (overhead) costs, and activities related to eligibility determination.

## B. SNAP

SNAP offers nutrition assistance to millions of eligible, low-income individuals and families and also provides economic benefits to communities. SNAP is the largest program in the domestic hunger safety net. The program provides a monthly food benefit to eligible participants and other services to support healthy eating. The program is funded and administered at two levels. The Federal Government provides 100 percent of the food benefit funding and assumes some administrative functions such as authorizing and monitoring grocery stores (vendors). State programs receive Federal funds for program

administration, including conducting the eligibility determination process and other SNAP-related administrative activities, but must match these Federal funds with State or local funding. During FFY 2013, approximately 47 million individuals participated in SNAP.

SNAP is more similar to WIC than is TANF in that the funds are used for food benefits and non-food costs associated with program administration. For SNAP, at the highest level of reporting, expenditures are aggregated as “food benefit costs” and “non-food costs,” which is similar to how WIC aggregates expenditures. In SNAP, the food benefit is provided to an individual or family through an EBT card. The SNAP EBT benefits can be used only at stores authorized by the program (as in WIC). While SNAP has a nutrition education component, it is funded through separate nutrition education and obesity prevention grants for SNAP Education (SNAP-Ed) and accounts for a very small percentage of total SNAP expenditures. SNAP-Ed expenditures were not included as part of the total SNAP expenditures for comparisons shown below.

When looking at national-level expenditures, SNAP has a much lower percentage of non-food expenditures than WIC. However, it is important to consider that there are differences in what costs are included in the non-food category. For SNAP, most of the non-food costs are associated with the administration of the program, such as certification of eligible clients, quality control measures, employment and training costs, and other administrative requirements. For WIC, the costs of certification and program management are only part of the overall non-food expenditures. Also included in the non-food expenditures for WIC are the costs of providing nutrition education, breastfeeding support and referrals for health care and other services. These program services are an integral part of the program benefits provided to WIC participants. It is also important to note that the SNAP food benefit amount provided to individuals or families is much higher than the dollar value of the WIC food benefit. For FFY 2013, the average monthly SNAP benefit was \$126.68, compared to the average monthly WIC benefit of \$61.35 per participant. Since SNAP receives no rebates for foods purchased and WIC participants are able to purchase \$1.88 billion more food as a result of rebate savings, the pre-rebate food costs is used to reflect the value of the WIC food benefit relative to the SNAP benefit. The difference in the food benefit amount between the two programs affects the percentages of food benefit and non-food expenditures.

We examined WIC and SNAP costs using two scenarios. First, we compared the overall ratio of food benefit and non-food expenditures at the national level. As can be seen in exhibit 9.3, the overall percentage of non-food expenditures for SNAP is 8 percent, compared to 23 percent for WIC when pre-rebate food costs are considered.

**Exhibit 9.3 Total FFY 2013 Food Benefit and Non-food Expenditures for WIC and SNAP**

Program	Food benefit expenditures	Non-food expenditures	Total	Percentage for non-food expenditures
WIC	\$6,377,128,171	\$1,881,674,822	\$8,258,802,993	23%
SNAP	\$76,066,320,000	\$6,975,019,600	\$83,041,339,600	8%

Source: FFY 2013 FNS administrative data. Note: WIC food benefit and total expenditures include approximately \$1.88 billion in issued food benefits that are offset by rebates. Non-food expenditures for WIC equal total Federal NSA expenditures (program management, client services, nutrition education, and breastfeeding promotion). SNAP non-food expenditures include the Federal share of State administrative expenses and Employment and Training programs, other Federal costs (e.g., Benefit and Retailer Redemption and Monitoring, Payment Accuracy, EBT Systems, Program Evaluation and Modernization, Program Access, Health and Nutrition Pilot Projects), and the State share of administrative expenses. SNAP-Ed expenditures are not included in non-food expenditures.

In a second comparison, the WIC expenditures reported in the categories Program Management and Client Services are included as WIC non-food “administrative” expenditures, and the expenditures reported for Nutrition Education and Breastfeeding Promotion and Support are added to the WIC food benefit expenditures (as was shown in the second TANF comparison in section A above). In this scenario,

shown in exhibit 9.4, administrative expenditures for WIC were 16 percent of the total in FFY 2013 compared to 8 percent for SNAP. As described previously, the large difference between food benefit amounts for SNAP and WIC clients should be considered when making a comparison of the programs.

**Exhibit 9.4 FFY 2013 Benefit and Administrative Expenditures for WIC and SNAP When Nutrition Education and Breastfeeding Costs Are Included as Benefits**

Program	Benefit expenditures	Administrative expenditures	Total	Percentage for administrative expenditures
WIC	\$6,936,448,145	\$1,326,428,599	\$8,258,802,993	16%
SNAP	\$76,066,320,000	\$6,975,019,600	\$83,041,339,600	8%

Source: FFY 2013 FNS administrative data.

Note: WIC food benefit and total expenditures include approximately \$1.88 billion in issued food benefits that are offset by rebates. WIC food benefit also includes NSA costs associated with Nutrition Education and Breastfeeding Promotion and Support. WIC administrative expenditures include Federal NSA expenditures associated with Program Management and Client Services only. SNAP non-food expenditures include the Federal share of State administrative expenses and Employment and Training programs, other Federal costs (e.g., Benefit and Retailer Redemption and Monitoring, Payment Accuracy, EBT Systems, Program Evaluation and Modernization, Program Access, Health and Nutrition Pilot Projects), and the State share of administrative expenses. SNAP-Ed expenditures are not included in non-food expenditures.

### C. Case Studies of TANF and SNAP

TANF, SNAP, and WIC all have unique operations and requirements that drive their costs. For example, TANF is a block grant program, SNAP is an entitlement program and WIC is a discretionary program. The case studies sought to examine operational features of TANF and SNAP that are different from or similar to WIC to better understand program cost centers and expenditures. As was noted earlier, 14 States were included in the case studies. States were selected and recruited for case study to ensure diversity in terms of agency size, structure, FNS region, and benefit delivery type, so as to be representative of the diversity of programs. WIC SA representatives from each of the 14 States participated in an indepth interview, as did representatives from 24 WIC LAs (2 or 3 from each decentralized and combination SA) that operate in these States. SNAP and TANF representatives from nine of the case study States were invited to participate in indepth interviews. Five of the 14 SAs were excluded from the SNAP and TANF portion of the case studies, because they were either an ITO program that did not have SNAP and TANF, a Trust Territory that had a different type of social service program in place, or agencies not similar to other State agencies with regard to cost centers (e.g., Hawaii). One SNAP and three TANF programs declined to participate in case study interviews so SNAP representatives from eight States and TANF representatives from six States participated in either a program-specific or joint interview. SNAP and TANF interviews were primarily with program administrators at the State level; however, two interviews were also conducted with county-level staff in California. Data were collected from July through October 2014. Exhibit 9.5 summarizes for which States SNAP and TANF interviews were conducted.

**Exhibit 9.5 SNAP and TANF Interviews Conducted**

State	SNAP Interview	TANF Interview
California	yes	declined
Connecticut	yes	yes
Illinois	yes	yes
Texas	yes	yes
Oklahoma	yes	yes
Missouri	yes	yes
Arkansas	yes	declined
South Dakota	yes	yes
Nevada	declined	declined

State	SNAP Interview	TANF Interview
Total	8 State; 2 county-level	6

Note: One state-level and two county-level SNAP interviews were conducted in California. In Connecticut and Illinois, SNAP and TANF representatives participated in a joint interview during which both program were discussed.

***i. Findings from case studies related to program similarities and differences***

Based on interviews conducted with WIC, SNAP, and TANF representatives in the eight States, each of the three programs conduct some functions that are similar. For example, each of the programs must have a system in place to certify clients as eligible, issue benefits to the clients, and periodically reevaluate client eligibility. All of the programs use management information systems to collect data on the clients and record benefit issuance information. SNAP and WIC both provide nutrition education to clients, although WIC is required to provide specific types and numbers of nutrition education contacts related to eligibility categories, while nutrition education in SNAP is an optional activity with State flexibility to develop the educational programming. All eight case study States provide some form of SNAP nutrition education to eligible populations.

Another common function across the three programs is development and communication of policy. The State-level agencies that administer SNAP and TANF are responsible for communicating Federal and State policy to the local organizational units responsible for day-to-day program operations, which is similar to how WIC is administered. State agencies administering the three programs typically have a policy unit within their organization. In small States, it may be one individual; in large States, there may be multiple people responsible for program policy. Like WIC, policies for TANF and SNAP are usually communicated through policy manuals and “clarification letters” to local organizational units providing direct services.

A final common function relates to compliance and audits of benefit issuance. Like WIC, SNAP and TANF State agencies have compliance and audit units to ensure program integrity. These are similar to WIC in that they have a role in detection and follow-up on participant fraud, such as false reporting of eligibility information or misuse of benefits. For SNAP, States are held accountable for error rates in their certification process and must conduct internal audits and report errors to the Federal Government.

While these common functions exist across the three programs, there is significant variation among the case study States in the organizational structure and operations of SNAP, TANF, and WIC. These differences affect the percentage of funds spent on non-benefit activities and how costs are shared between programs. There also are some significant and unique functions that only exist in individual programs that are associated with differences in how SNAP and TANF are administered compared to WIC.

Below is a summary of factors identified in the financial analysis and case studies as being associated with these differences.

***ii. Program purpose and focus of efforts***

The most notable difference in purpose and focus is between TANF and WIC. While WIC is a preventative public health program that provides support for eligible mothers and children from pregnancy through the child’s fifth birthday, TANF is designed to provide short-term support with an emphasis on helping families gain independence from the program. This is evident in the way TANF funds are used with 65 percent of TANF non-benefit funds committed to four activities: job-related support, child care services for parents working or attending school, prevention of out-of-wedlock pregnancies, and other family support services (ACF expenditure data, 2013).

Another example of the difference in program focus is in the area of administrative responsibility for vendor (grocery store) activities between WIC and SNAP. For SNAP, FNS funds and conducts all

activities related to vendor authorization, compliance, and management at the Federal level, so each individual State is not engaged in these activities. In WIC, all SAs have responsibility for authorizing, training and monitoring grocery stores as well as for ensuring vendors have competitive prices and imposing sanctions and fines for non-compliant vendors.

Finally, State agencies that operate SNAP and TANF have considerable flexibility in how they administer their programs. As noted earlier, TANF is a block grant program that provides several options for States to consider in operating their program. With SNAP, States can add their own limitations, expansions and requirements (e.g., State legislation) that affect how services are delivered. Usually, these State-level requirements are permitted through Federal options or States can apply for and receive waivers to Federal policy in order to customize, improve, or limit program features. In comparison, WIC SAs have flexibility in some program operations, such as the specific foods on their approved food list and their vendor authorization criteria, but WIC SAs currently have no opportunity to obtain waivers to most program requirements.

### *iii. Cost share between programs*

For the most part, in the case study States, WIC functions as a stand-alone program in terms of how it is administered and how costs are allocated. WIC has its own system of certifying clients and issuing benefits that is not, in most cases, integrated with other programs. The one example of coordination of WIC certification with the other programs that is commonly used is WIC adjunctive income eligibility which allows WIC to accept documentation of participation in Medicaid, TANF, or SNAP as proof of income eligibility. Adjunctive eligibility allows WIC to avoid costs associated with collecting and evaluating income information from program applicants. The most recent FNS WIC Participant Characteristics Study indicates that 70 percent of WIC participants are certified as income eligible through adjunctive eligibility. Most of the other demographic and health data used for WIC eligibility determination is collected as a part of the certification process and not incorporated in a joint application in the case study States. Some States have linkages to Medicaid data for use in documenting adjunctive eligibility, but not for obtaining health or medical information.

In the case study States, SNAP and TANF use a coordinated eligibility and benefit issuance system that allows them to share the costs of conducting eligibility and providing benefits. The eligibility process for the two programs is often consolidated into a single application for SNAP, TANF, Medicaid, and other social service programs for low-income individuals (e.g., home heating allowances, child care). Clients that come in for certification in one program can be certified (if eligible) for multiple programs using the same forms and process. States that use this approach develop a cost-sharing method for sharing costs of certifying a client across all of the programs for which the client is eligible. Although WIC was not part of the joint application in any of the case study States, it may be in States that were not included in the case studies.

During the case study visits, it was noted by all of the interview respondents that there is a significant cost-sharing advantage to having SNAP and TANF combined with Medicaid. There were two distinct advantages pointed out in the interviews. First, because of the implementation of the Patient Protection and Affordable Care Act (ACA) and, in some States, Medicaid expansion, the systems used for certification of clients have been upgraded significantly. They indicated that Medicaid is making management information system upgrades that impact all of the other programs. Because these system upgrades are being paid for mostly by Federal Medicaid dollars, SNAP and TANF are receiving the benefit of these upgrades without incurring the cost.

A second advantage of being linked to Medicaid relates to methodologies used to determine and divide the costs of certifying clients between the three programs. Five of the eight States included in the SNAP and TANF case study interviews noted the use of Random Moment Time Study, a federally approved statistical sampling technique, for cost allocation purposes. Using this approach, a statistical sample of



case workers or field staff are surveyed, typically via email, to determine the proportion of time spent providing SNAP, TANF, or Medicaid services, and then costs are allocated accordingly. Some case study States explained that if a client is applying for Medicaid, SNAP, and TANF at the time of the time study, costs associated with working the case would be allocated across all three programs. Still other case study States explained that if a client is applying for SNAP at the time of the time study, the worker's time will be coded to this program, even though the client may also be evaluated and, if eligible, enrolled in TANF, Medicaid, or other programs. With the advent of ACA and the Medicaid expansion (in those States that expanded Medicaid), State administrators indicated that more individuals have been applying for Medicaid. As a result, the time studies are reflecting more costs attributed to Medicaid than in the past.

#### *iv. Efforts related to program simplification and use of technology*

WIC requires applicants to complete an application (certification) process at a local WIC office. The certification process includes collecting and entering demographic, financial, nutrition, and health information into an MIS system; prescribing and issuing food benefits; and providing program orientation information. Nutrition education and/or breastfeeding support is provided at the time of the certification and periodically during the period of eligibility.

TANF programs in the case study States operate somewhat similar to WIC in that they require an onsite visit to complete the application/certification process. However, unlike WIC, many State SNAP programs have developed efficient and less labor-intensive systems to enroll clients and issue benefits. For example, all but one State in the case study group have a Web-based application system for SNAP, where clients can access a website to apply online. Several States use call centers, where clients can call and enroll or report changes to income over the phone. Still a third approach used by SNAP programs is to have community agencies conducting outreach activities and help clients complete applications, which are then mailed each day to the SNAP office.

Some examples of program simplification and enhanced use of technology described in the case study interviews follow:

- **California.** California State SNAP administrators noted that they have implemented a number of program simplifications and efficiencies, including moving from quarterly to semiannual client reporting, implementing broad-based categorical eligibility for certain populations, waiving face-to-face interview requirements, and using automation such as e-notifications to SNAP households. In addition, California opened 27 call centers to support SNAP certification and reporting. These efforts have been helpful in streamlining county-level administrative processes and addressing the SNAP expansion associated with the recession. California was able to maintain a high degree of integrity and timeliness despite caseloads that doubled over the past few years.
- **Texas.** Texas State SNAP and TANF administrators indicated that they are implementing an application system for Medicaid, SNAP, and TANF using a Web-based application accessible via smartphones. Applicants can take photos of required documentation and attach these to the application as an alternative to providing paper copies of documentation to social service offices. The use of Web-based and call center application processes allows States to reduce staffing in local offices.
- **Illinois.** Illinois SNAP and TANF State administrators described a call center with a Web-based system that assigns cases based on staff availability to distribute the workload among caseworkers across the State. The system allows the State to assign a percentage of time spent on certification activity for each worker depending on their experience/abilities. An experienced worker could be in the "round-robin" assignment at 100 percent, and a new worker could be at 50 percent. The next phase will develop workload standards to create statewide equity in assignments and enhance quality control.



- **Missouri.** Missouri SNAP and TANF State administrators explained they are in the process of reorganizing and developing a new application and enrollment system. The State intends to set up resource centers, where program applicants can call in and get assistance with their applications; and application processing centers, where the application review and eligibility determination will be done. The result will be an upfront customer service center and a back-end processing center. This system will facilitate an even distribution of workload and ensure applications are processed timely.

#### D. Summary from a Comparison of WIC to SNAP and TANF

While differences in cost reporting and variations in program mission and operations make it difficult to compare costs for WIC, SNAP, and TANF, some general observations about the differences in administrative costs between these programs can be made. For example, SNAP is more similar to WIC than is TANF, because both SNAP and WIC offer food benefits to low-income individuals and families, yet SNAP allocates a much smaller percentage of funds to non-food expenditures compared to WIC. When making this comparison, however, it is important to consider that most of SNAP’s non-food expenditures support administration of the program, such as certification of eligible clients, quality control measures, employment and training costs, and other administrative requirements; whereas for WIC, non-food expenditures include the costs of providing nutrition education, breastfeeding support, and referrals for health care and other services. These differences make it challenging to compare the true administrative costs of SNAP and WIC.

TANF allocates a much larger percentage of its funds to non-cash expenditures, but like in WIC, some of these “administrative” expenditures support non-cash benefits such as employment support, tax credits, childcare assistance, support for new fathers, programs to prevent out-of-wedlock pregnancy, and transportation services for clients. Due to the way financial data are reported to ACF, it was not possible to isolate or separate out costs that may be used to support these services. Moreover, the specific services offered through TANF vary substantially by State. These differences make it challenging to compare the true administrative costs of TANF and WIC.

The study also found that cost efficiencies and use of technology in SNAP appear to reduce its labor and other costs compared to WIC and TANF. Both WIC and most TANF programs require onsite certification, where a client must present themselves at an office and complete a certification process. SNAP has moved away from this process, allowing Web- and phone-based application processes, using call centers, and distributing workloads to ensure timely application process and efficient use of staff. Respondents in the case study States report that these efforts have significantly reduced the costs of administering the program and made it more customer friendly.

Joint applications from SNAP, TANF, and Medicaid also help to reduce the financial burden and duplication of effort for all three programs. Instead of having to complete an application for each of the three programs, an applicant can complete a consolidated application, and costs are distributed across the three programs based on an approved cost allocation methodology. This consolidated application system, combined with employee time tracking, makes it easy to allocate costs across programs. Although WIC may not benefit to the same degree, it is able to avoid costs associated with collecting and evaluating income information for approximately 70 percent of its program applicants through adjunctive eligibility.

Finally, at least in the case study States, it appears that ACA has provided enhanced funding for States to improve their technology and MIS with little or no cost to TANF or SNAP. The opportunity provided through ACA to update computer systems using Medicaid funds in these States has benefited all three programs. ACA-related enhancements were not cited by WIC programs during case study interviews.



The purpose of the WIC NSA Cost Study is to provide an updated assessment of how NSA funds are used, including the amounts and categories of costs paid with NSA grants and the variation of these costs among SAs and LAs. Many Program changes have occurred since that time, including growth in WIC participation; expanded use of technology, including EBT for food benefits delivery and use of MIS to create and manage participant records; implementation of updated WIC food packages; and increased breastfeeding promotion and support services. This section summarizes key findings from the study and describes lessons learned through the study's extensive data collection effort.

### A. Key findings

In FFY 2013, \$1.923 billion was provided to SAs as NSA grants, including grant funds and operational adjustment funds from the Federal appropriation, and reallocated FFY 2012 funds and SAs reported a total of \$1.882 billion in NSA expenditures. During this same fiscal year, the program served approximately 8.7 million participants per month, resulting in an average Federal NSA expenditure per participant per month of \$18.14. The study highlights many contextual factors that are important to understanding the actual cost of Program administration. For example, 12 SAs reported receiving State-appropriated funding for WIC in addition to their Federal grants, although the amount of State funding as a percentage of total NSA costs has declined since FFY 1998. Many SAs and LAs reported receiving in-kind contributions that help support the Program. Moreover, nearly one-third of NSA expenditures are for the provision of nutrition education and breastfeeding support, which are core program benefits provided to participants, thus the amount WIC spends to administer the program is significantly less than the total amount of its NSA expenditures.

#### i. SA-related findings

The study found that prior-year expenditures, caseload, differences between the State and Federal fiscal years, and the timing and uncertainty of Federal funding were the primary factors influencing SA budget decisions in FFY 2013. Although a SA's operational structure has an influence on how it approaches budget planning, most SAs allocated a majority of their FFY 2013 NSA grant for local service delivery, which was provided either through SA-run sites (in centralized and combination SAs) or LAs (in decentralized and combination SAs).

NSA costs are incurred in four key areas: labor and personnel; service contracts; materials, services, and travel; and indirect costs. In FFY 2013, labor and personnel costs accounted for half of all NSA expenditures at the SA-level and supported SA-level staff FTEs that were primarily dedicated to functions associated with program administration and supervision, local program support, vendor management, nutrition education and policy, and breastfeeding promotion and support. Many SAs reported that staffing costs have increased in recent years.

Most SAs charged indirect costs to their NSA grants in FFY 2013. These costs pay for a variety of services (e.g., accounting services and human resource services) and have increased in recent years for many SAs. A variety of methods were used by SAs to allocate indirect costs to WIC in FFY 2013.

Costs associated with service contracts and materials, services, and travel were also prevalent and accounted for a substantial portion of SA-level NSA expenditures. SAs explained that many of the SA-level costs for contracts, materials and services are for purchases or services to support local-level operations.

The study also examined NSA cost measures, including those described above, by SA size and operational structure. When statistically significant differences were observed, it was primarily between SAs operated by a State health department and SAs operated by an ITO.

### *ii. LA-related findings*

Most LAs operating in FFY 2013 were small in size (served 2,500 participants or less per month) and self-identified as a local government entity. Like SAs, LAs rely on historical expenditure information along with anticipated expenses for the upcoming year when planning their budget. Personnel costs, including anticipated increases in salaries/benefits, are the biggest factors that LAs consider during the budget development process.

Labor and personnel costs account for the majority of NSA expenditures at the local level regardless of LA size or type. WIC clerks, degreed nutritionists, program managers, registered dietitians, and paraprofessional nutrition educators account for most staff FTEs at the LA level. LAs are typically part of an organization or agency that provides services in addition to WIC; thus, it is not surprising that many of them reported sharing staff resources and other costs, such as facility space, with other programs. Sharing staff with other programs may provide LAs with greater flexibility in how they use NSA funds, since LAs that share staff with other programs report a lower portion of expenditures for labor and personnel in FFY 2013 than those that do not share staff.

Although a majority of LAs charged indirect costs to their NSA grant in FFY 2013, this cost center accounted for a relatively small percentage of total NSA expenditures at the local level. As with the findings for SAs, LA indirect costs often pay for services, such as accounting services and human resource services. At the LA level, indirect costs were typically calculated as each benefiting program's percentage of total salaries, total salaries and benefits, total budget, or total expenditures. Contracted services were less common and accounted for a much smaller percentage of NSA expenditures among LAs as compared to SAs. The same was true for materials, services, and travel expenses.

Local-level NSA cost measures, such as the percentage of NSA funds expended in each cost center, was examined by LA size and type. The study found differences in the average NSA expenditure per participant between small LAs and larger LAs (medium and large) and between LAs operated by a tribal entity and all other LAs (local government and nongovernment). The study also found that the percentage of NSA allocated to direct costs and specifically to materials, services, and travel was significantly different between government-run and nongovernment-run LAs. Taken together, these findings indicated that LA size and type may influence how NSA dollars are expended at the local-level.

## **B. Study Limitations and Lessons Learned**

To inform the WIC NSA Cost Study, data were collected and compiled from several sources, including extant financial data, Web surveys, and in-depth interviews. Overall, the study was successful in yielding quality, useful information. This section describes study limitations that might have impacted data quality and completeness as well as lessons learned that could improve future studies of WIC NSA costs.

### *i. Data collection procedures*

The sampling design for both the SA and LA surveys was a census. There are many benefits to doing a census when the population of interest is small, as was the case with this study. However, there are also many benefits to doing a sample. When getting responses from the population of interest will be difficult or burdensome, a sample is the better of the two options. Given the burden of this and other FNS surveys that were fielded at the same time and the reporting requirements WIC agencies face, a sample may have been a better approach and would be advisable in the future, particularly for LAs. Regardless of approach, identifying the eligible pool of respondents is essential to ensuring that study findings are representative of the population. Identifying the eligible pool of SAs for this study was straightforward, however,

because LAs can close, merge, and change names at any point during the year, identifying the eligible pool of LAs was more challenging, thus might not have yielded a perfect list.

When collecting detailed cost data from SAs and LAs, the timing of the request is also an important consideration. Data collection for the Web surveys began in June 2014 and ended in November 2014. This time frame was ideal, because SAs had final FFY 2013 annual financial information readily available to aid them with completion of the survey, and most had the opportunity to complete the survey before preparing their FFY 2014 annual financial report; thus, the overlap and potential for confusion regarding the fiscal year associated with the survey was minimized.

Still, it is important to note two related study limitations. First, due to staff turnover at the SA and LA levels, it is possible that the person who prepared and submitted year-end expenditure reports was not the same person who completed the Web survey. Second, because the FFY 2013 WIC appropriation was subject to spending cuts associated with the Federal budget sequestration, some of the study findings may be influenced by SAs having to report on an atypical funding year.

For a variety of reasons, case study data were collected concurrently with Web survey data. This limited the extent to which interviews could be used to clarify and better understand data reported through the survey. Staggering these data collection efforts would be advisable and would likely yield even more useful information. Ideally, the surveys should be administered on a schedule slightly condensed but similar to the one used in this study, and case study interviews should be conducted after Web survey data collection is complete. Moreover, sufficient time should be allowed for the preliminary analysis of Web survey data before conducting the case study interviews to provide the opportunity to discuss reported cost data in more detail and clarify why and how specific cost data were reported.

Overall, communication about the study to FNS Regional Offices, SAs, and LAs was effective. Prior to fielding the Web surveys, SAs were informed of the study and associated data requests via email. SAs were also provided with a draft notice that they could forward to their LAs to inform them of the study and forthcoming survey invitation. Then, all SAs and LAs were sent the official study email invitation, which provided the Web link to the survey, a unique ID, and a password. Survey help desk support was provided on all weekdays throughout the data collection period, a printable User's Guide and help text pop-ups were readily available, and numerous nonresponse follow-up strategies were implemented to increase response rates over the course of data collection. Webinars may be an additional communication mode that would be helpful for complex surveys such as this one. Webinars allow survey respondents to receive consistent and clear instructions on how to complete the survey and troubleshoot issues they might encounter and to ask questions about the survey.

## *ii. Instrumentation*

According to survey respondents, the cost data they were asked to report was difficult to provide, because they do not track expenditures in a way that allowed them to easily retrieve data for the specified line items and categories that were requested. For example, the survey asked SAs to estimate the total amount of salaries that supported various SA functions, such as vendor management. Because salaries are not tracked by function, SAs with multiple staff supporting the vendor management program area would have had to calculate a total salary value based on the percent of each person's time and salary that was spent on this functional area. Moreover, SAs were asked to determine the portion of salaries by functional area that were allocated to each of the four cost categories. Future studies of WIC NSA Costs should require less detailed cost reporting, allow greater flexibility for providing cost data, or use an alternative means for collecting cost data if the same level of detail is desired. For example, FNS might want to consider an audit-style data collection effort from a smaller number of agencies if it desires precise and detailed cost data. The level of detail and precision required will likely depend on the specific research questions FNS aims to address. If the goal is to gain a general understanding of how NSA dollars are being used, similar to this study, a simplified, streamlined, and perhaps more flexible Web survey will likely suffice.

Additional consideration should also be given to the validation of cost data. In the case of cost surveys, the comparison of aggregate costs reported through survey responses with aggregate costs reported via other means is valuable for helping respondents determine whether they have omitted data. For the WIC NSA Cost Study, SA-level costs reported on the SA survey were compared to existing annual SA-level expenditure data from the FNS (reported by the SA on the FNS-798A report). The same was true for local-level costs reported on the SA survey; these costs were compared to annual local-level expenditure data from FNS (reported by the SA on the FNS-798A report). Based on a thorough review of survey data and clarification provided by some SAs, it is clear that some of the costs reported by SAs on the survey were reported as local-level costs on the FNS-798A report (e.g., costs for supplies and equipment that are distributed by the SA for local use). For this reason, it may be more appropriate in future studies to compare total costs (SA and local) reported on the survey to total NSA expenditures reported to FNS and to ensure that SAs understand how their data will be validated.

Even with improvements to the data used for validation, it may be difficult for SAs to make survey cost data exactly equivalent to existing expenditure information for a variety of reasons, including those described above (e.g., SAs do not track expenditures in a way that allows them to easily retrieve the requested data). In order to balance data quality and respondent burden, studies of WIC NSA costs should always allow for some variation between reported and actual costs, similar to the current study.

Finally, because the Web survey required substantial effort on the respondents' part, any future Web surveys of NSA costs should integrate survey programming that allows for an assessment of time spent on each screen so that realistic estimates for survey completion can be developed during pretesting.

### *iii. Understanding technology related costs*

SAs and LAs continually implement more sophisticated MIS to make their certification and food delivery processes more efficient. Also, many are in the process of implementing EBT systems to replace their paper food instrument systems to deliver food benefits to participants. It is difficult to determine whether this increased use of technology has increased or decreased the need to use NSA funds for information technology related expenses, particularly based on a point-in-time analysis. To truly understand the costs associated with planning and implementing a new MIS or EBT system, including the fixed or one-time versus ongoing costs, FNS should conduct a longitudinal study that tracks related expenses and potential cost-savings before project planning starts and for some period following implementation of the new MIS or EBT system.

An important part of a study like this would be to understand the extent to which new technology creates efficiencies in program operations such that NSA funds can be “redirected” from a cost such as staff salaries to the ongoing costs associated with the technology, or vice versa. The Implementation Advanced Planning Documents (IAPD) that SAs prepare prior to using NSA funds or receiving additional Federal funds for a proposed technology-related project would be a valuable source of information for this type of study. As part of the IAPD process, SAs have to conduct a cost analysis to identify what the one-time and ongoing costs of the technology will be and anticipated cost savings once the technology is implemented. This type of study would be invaluable, as there is much that can be learned from implementation efforts that are currently underway. Because technology is constantly evolving, investments in this area are likely to continue; thus, it would be in the Program's best interest to take an in-depth look at the factors that most influence the fixed and ongoing costs of technology-related projects.