

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 4265	Department California Department of Public Health	Priority No.
Budget Request Name 4265-009-BCP-DP-2016-GB		Program 4045032 Family Health	Subprogram

Budget Request Description  
 eWIC Electronic Benefit Transfer (EBT) and Management Information System (MIS) Project

Budget Request Summary

The California Department of Public Health (CDPH) requests to redirect 3.0 permanent positions to the Office of Systems Integration (OSI) and increase federal fund expenditure authority by \$5.78 million for fiscal year 2016-17 to replace Women, Infants, and Children Program (WIC) paper checks with an electronic debit card, and replace the current WIC Management Information System (WIC MIS) with a United States Department of Agriculture (USDA) approved, Electronic Benefits Transfer (EBT)-ready Management Information System (MIS). The total request for the project is \$39 million (\$7.9 million for EBT and \$31.1 million for the MIS) over 5 years.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO <i>[Signature]</i>	Date 1/6/16

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR       SPR      Project No. EBT 4265-019; MIS 4265-028      Date: EBT 11/21/2014; MIS 10/28/2014

If proposal affects another department, does other department concur with proposal?       Yes       No  
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>[Signature]</i>	Date 1/6/16	Reviewed By <i>[Signature]</i>	Date 1/6/16
Department Director <i>[Signature]</i>	Date 1/6/16	Agency Secretary <i>[Signature]</i>	Date 1/7/16

Department of Finance Use Only

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Dept. of Technology

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 1/8/2016
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## A. Budget Request Summary

The California Department of Public Health (CDPH) requests to redirect 3.0 permanent positions to the Office of Systems Integration (OSI) and increase federal fund expenditure authority by \$5.78 million for fiscal year 2016-17 to replace Women, Infants and Children Program (WIC) paper checks with an electronic debit card, and replace the current WIC Management Information System (WIC MIS) with a United States Department of Agriculture (USDA) approved, Electronic Benefits Transfer (EBT)-ready Management Information System (MIS). The total request for the project is \$39 million (\$7.9 million for EBT and \$31.1 million for the MIS) over 5 years.

## B. Background/History

WIC provides nutrition services and food assistance to low-to-moderate income families for pregnant and postpartum women, infants, and children up to their fifth birthday. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level. WIC services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and paper checks for specific nutritious foods that are redeemable at WIC authorized vendors throughout the state. In 2014, WIC participants redeemed approximately \$1 billion worth of WIC food paper checks (also known as "food instruments") at over 4,000 WIC-authorized vendors throughout the state.

On December 13, 2010, the President signed into law the Healthy, Hunger-Free Kids Act of 2010 that amended provisions of the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.) and included a mandate that all WIC state agencies implement EBT systems by October 1, 2020. Currently, WIC is supported by WIC MIS, which is a real-time mainframe system fully implemented in 1996. Over the past 17 years, WIC MIS has been primarily maintained by CDPH's Information Technology Service Division (ITSD), and has been extensively modified and its mainframe platform upgraded. The WIC MIS core application is augmented by two auxiliary systems, the Vendor WIC Information Exchange and the WIC Information Exchange, as well as numerous non-integrated supplemental technical tools such as Microsoft Excel and Access files. WIC MIS has a number of limitations that include: system-wide adaptation challenges; it is not a single integrated system; it is not web-enabled; and, it only supports 36 to 59 percent of existing WIC business processes. Even with the addition of auxiliary systems and supplemental tools, WIC's operational and strategic needs, as well as the USDA mandates for minimal automation and data collection, are not included in the current system. The current WIC MIS lacks the core requirements for it to be 100 percent EBT ready in time for WIC to meet the USDA mandate that all states implement EBT by October 1, 2020.

CDPH estimated that almost 24,000 hours of custom programming would be required to make the current WIC MIS ready for EBT and this was not considered a feasible or efficient solution. The in-depth analysis conducted to determine the feasibility of an MIS replacement resulted in the decision to transfer to a federally approved, operational WIC Universal MIS-EBT Interface (WUMEI) compliant MIS system that includes technology to support local WIC agencies, state administration, vendor management, and state and federal reporting components. In order to implement EBT, WIC needs a new MIS, which will be a USDA-approved system.

CDPH began planning for EBT through a USDA planning grant in April 2012 and conducted an analysis of the viable alternatives, which concluded the best EBT option is an online, outsourced solution. In addition, EBT will be implemented in parallel with its MIS replacement project. The Feasibility Study Report approval for EBT and the MIS replacement project was secured from the California Health and Human Services Agency in August 2014, and from the California Department of Technology in November 2014.

**Resource History**  
(Dollars in thousands)

<b>Program Budget</b>	<b>PY 10-11</b>	<b>PY 11-12</b>	<b>PY 12-13</b>	<b>PY 13-14</b>	<b>PY 14-15</b>	<b>CY 15-16</b>
Authorized Expenditures	51,479	53,566	53,064	53,860	54,887	55,140
Actual Expenditures	43,698	47,034	47,578	49,411	51,120	N/A
Revenues						
Authorized Positions	235.7	250.0	232.9	199.0	190.7	187.8
Filled Positions	221.4	223.1	210.3	181.6	183.6	174.3
Vacancies	14.3	26.9	22.6	17.4	7.1	13.5

### C. State Level Considerations

WIC activities directly support CDPH's mission to optimize the health and well-being of the people of California by providing nutritious foods, nutrition education, breastfeeding support, and referral services to vulnerable, pregnant and postpartum women, infants, and children up to five years of age. Also, WIC fulfills the Department's Strategic Map, Goal B, 4 & 5 to Optimize CDPH Organizational Structure & Processes and Maximize Technology to support CDPH Priorities.

WIC's State Plan includes a goal to continue to develop project plans that will convert the paper-based benefits system to EBT, as required by USDA.

In addition, CDPH is partnering with OSI for a joint procurement of EBT services in collaboration with the California Department of Social Services (CDSS), which administers the Supplemental Nutrition Assistance Program (SNAP). This partnership will allow CDPH to share costs for centralized contract management that will support both the WIC and SNAP programs and achieve cost savings by reducing the cost per case per month pricing due to the large caseload volume created when combining both of them. Implementation schedules for WIC and SNAP are not dependent upon one another.

### D. Justification

The California Department of Technology's Independent Project Oversight Consultant (IPOC) identified a need for additional resources as schedule projections have identified that the critical milestone March 2016 date for release of the MIS Request for Proposals (RFP) would be missed, resulting in implementation going past the approved Feasibility Study Report for the MIS baseline. Due to a ten percent change in our project schedule, in June 2015 IPOC determined that a Special Project Report (SPR) was required. The SPR, submitted to the California Department of Technology on November 12, 2015, details the change in schedule and increase in costs, while still ensuring implementation of the projects by the federal

deadline of October 1, 2020. In order to implement EBT by the deadline, CDPH needs to replace the WIC MIS with a new system that is EBT interface compliant.

In addition to the partnership with OSI for collaboration with SNAP for a joint procurement, CDPH will now partner with OSI for the procurement of the MIS systems integrator necessary to implement EBT. CDPH is requesting additional expenditure authority for the additional contracts and OSI staffing costs identified in the SPR to ensure successful completion and implementation of these two complex and high visibility projects. These procurements are limited-term and will expire upon full implementation of the projects, currently projected to be in FY 2020-21. The estimated total need for EBT through FY 2020-21 is \$7.9 million. Based on the SPR, the request for MIS is \$31.1 million. The total federal fund request for the two projects is \$39.0 million.

This increase in budget authority will allow CDPH to fully utilize federal funds to cover all of the projected expenditures for the contractual portion of the EBT and MIS projects. Upon the initial implementation of the eWIC project, ITSD identified 3 positions that were assigned to the eWIC project, and the charges for these staff are directly charged to WIC. As a result of the transition of project management service to OSI, CDPH ITSD determined they will permanently redirect 3.0 positions to OSI for project management services currently done by ITSD.

The MIS Project will replace the current system and its supplemental applications with a modern, proven system used in other states in order to meet its operational and strategic needs, including: expanding system functionality to enhance staff productivity to meet participant growth; extending system functionality to support all WIC functional business process areas and comply with federal minimum system requirements; employing modern technology consistent with the strategic direction of California information technology; and, providing a foundation for the implementation of WIC EBT. The new MIS will allow WIC, local agencies, and retailers to conduct business functions through one convenient web-based integrated solution. When CDPH performed the analysis required to assess the feasibility of an MIS replacement, a specific system for implementation was not selected because there were no State Agency Models (SAMs) available for consideration at that time. WIC elected to transfer a federally approved, operational WUMEI compliant information system, SAM or non-SAM. As such, WIC seeks to adopt a transfer system that meets the USDA functional requirements and is modifiable to meet identified California requirements, while also being capable of resolving WIC's substantial capacity needs.

In order to implement a transfer system, WIC will work with OSI to solicit bids via an RFP and contract for the services of a Design, Development, and Implementation (DDI) contractor to make modifications, test, install, train users, and rollout the transfer system. California's evaluation team will select the DDI contractor based not only on the proposed cost, but also on the firm's experience and quality standards. Utilizing an outside DDI contractor will allow California to make use of specialized expertise during system implementation while State staff are trained to assume operational responsibilities of the transfer system. The new comprehensive system will support all business process areas including vendor management, vendor correspondence, complaint tracking, identification of high-risk vendors, caseload management, food management, and forecasting and financial audit support capabilities. The MIS will allow the electronic collection of data, which will reduce duplicative manual entry, reduce processing steps, consolidate off-system data files, reduce system operating costs, and be fully compliant with Federal system requirements and integration of the EBT system. The

RFP initiates a competitive procurement process that will enable OSI and CDPH to evaluate the gamut of WIC data systems and make a selection based on the extent to which a candidate system meets the WIC functional, non-functional, cost, timeframe, and risk requirements. CDPH plans to implement the new MIS and EBT systems concurrently, and will coordinate test, pilot, and statewide rollout activities.

The EBT Project will implement a statewide online, outsourced EBT solution that meets Federal mandates and is sustainable for years through a joint competitive procurement with the CDSS SNAP and OSI. The EBT Project objective is to implement an EBT system that delivers benefits efficiently, reconciles payments, operates affordably, enhances client services by improving access to prescribed WIC foods, and simplifies the retail point-of-sale transaction to reduce participation stigma and improve shopping convenience. The EBT Project major tasks include procuring an EBT system and services contractor, designing and developing the EBT solution, planning and conducting a localized EBT pilot, evaluating the pilot, and expanding operations statewide.

Online EBT solutions use magnetic stripe cards and the national debit/credit network infrastructure to process and authorize WIC transactions in real time. The WIC participant's benefits are stored in an electronic benefit account (EBA) maintained by the EBT services provider. When the participant swipes the WIC EBT card at the retail store terminal, communication between the terminal and the WIC EBT host system occurs in real time. As the store clerk scans the food items, the WIC-eligible benefits are validated against the participant's available food benefit balance. Valid food benefits are redeemed and subtracted from the participant's EBA balance. Items that are not WIC-eligible are immediately identified, in real-time, so the participant may choose to return the item or make alternative payment.

**Support Expenditure Authority by FY**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>Total</b>
Proposed EBT	\$634,000	\$1,922,000	\$2,461,000	\$1,840,000	\$1,045,000	\$7,902,000
Proposed MIS*	\$5,142,000	\$5,634,000	\$8,058,000	\$7,265,000	\$5,000,000	\$31,099,000
<b>Proposed Totals</b>	<b>\$5,776,000</b>	<b>\$7,556,000</b>	<b>\$10,519,000</b>	<b>\$9,105,000</b>	<b>\$6,045,000</b>	<b>\$39,001,000</b>

\*These amounts tie to page 8 of the MIS SPR

**E. Outcomes and Accountability**

- Transferring to EBT benefits participants by reducing the stigma associated with the current paper checks.
- The transition to the new EBT and MIS system will improve vendor monitoring by electronically receiving food item prices for participants' purchases.
- EBT will allow not-to-exceed prices to be set for single food items, therefore reducing the opportunity for fraud.
- The new MIS will make WIC-allowed food list modifications easier because changes can be managed by Uniform Product Code inventory lists.
- The new MIS system will make data collection, reporting, auditing, and other means of accountability more efficient.

**F. Analysis of All Feasible Alternatives**

**Alternative I:** Redirect 3.0 permanent positions to OSI and increase CDPH's federal fund expenditure authority by \$5.78 million in FY 2016-17, for a total of \$39.0 million phased-in from FY 2016-17 through FY 2020-21.

**Pros:**

- Federal funding is provided by the USDA to support EBT conversion; no state General Fund has been requested.
- Transferring to EBT benefits participants by increasing convenience of use and by reducing the stigma associated with the paper checks.
- EBT also creates more efficient transactions for vendors and creates a database of food purchases and prices that will facilitate vendor compliance monitoring.
- Ensures CDPH meets the USDA mandate that all states implement EBT by October 1, 2020.
- WIC-allowed food list modifications changes can be managed by Uniform Product Code inventory lists.

**Cons:**

- No known negative impacts if this request is approved.

**Alternative II:** Increase federal fund expenditure authority by \$7.9 million for EBT project only.

**Pros:**

- CDPH request for additional federal fund expenditure authority is less; does not include MIS.

**Cons:**

- CDPH will be unable to implement the WIC Universal MIS-EBT interface compliant SAM MIS system.
- CDPH will not meet the mandated deadline to implement EBT for WIC by October 2020.
- Existing program inefficiencies will be continued.
- Risk the loss of federal funding for WIC.

**Alternative III:** Do not approve this request.

**Pros:**

- No need for additional federal fund expenditure authority.
- California WIC participants will continue to redeem paper vouchers as they do today.

**Cons:**

- CDPH will not meet the mandated deadline to implement EBT for WIC by October 2020.
- Risk the loss of federal funding for WIC.
- CDPH will be out of compliance with federal laws.
- Existing program inefficiencies will be continued.

## G. Implementation Plan

- The EBT Project will be managed in four distinct phases:
  1. *Procurement*: Select an experienced EBT services provider capable of providing services that meet the needs of the largest WIC program in the nation. Request for Proposal (RFP) responses are limited to EBT service providers successfully providing services in other states. Key activities include RFP development and issuance, vendor response evaluation, vendor selection, and contract award.
  2. *Design, Development and Implementation (DDI)*: The selected EBT service provider, working closely with CDPH and OSI, will be responsible for the DDI of the online EBT solution. In addition to the system design, development, and testing, it includes vendor and clinic readiness, WIC Program policy and procedure updates, training, and universal product code database maintenance.
  3. *Pilot*: CDPH plans to conduct pilot operations in Solano County over a three-month period, followed by a two-month evaluation. CDPH will use its quality assurance contractor to conduct the pilot evaluation. CDPH and USDA will review the conclusions of the pilot and must approve statewide rollout.
  4. *Statewide Expansion*: CDPH plans to use a phased approach to allow California to conduct a controlled EBT rollout, minimizing the impact to participants when addressing issues, refining its approach for subsequent phases, and allowing particular communities more time to certify their vendors.
- EBT and MIS project costs will start increasing substantially in FY 2018-19 when the EBT contractor, MIS contractor, and quality assurance contracts are executed.
- EBT and the new MIS will be rolled out statewide in FY 2019-20, resulting in continued higher project costs.
- In FYs 2019-20 and 2020-21, full implementation will continue for remaining local agencies; project costs will not begin to decrease until FY 2021-22.

## H. Supplemental Information

Not applicable.

## I. Recommendation

Redirect 3.0 permanent positions from CDPH to OSI, and increase CDPH's federal fund expenditure authority by \$5.78 million in FY 2016-17, for a total of \$39.0 million phased-in from FY 2016-17 through FY 2020-21, to replace WIC paper checks with an electronic debit card and replace the current WIC MIS.

# BCP Fiscal Detail Sheet

BCP Title: eWIC Electronic Benefit Transfer and Management Information System Project

DP Name: 4265-009-BCP-DP-2016-GB

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	-3.0	-3.0	-3.0	-3.0	-3.0
<b>Total Positions</b>	<b>0.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>
Salaries and Wages						
Earnings - Permanent	0	-264	-264	-264	-264	-264
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$-264</b>	<b>\$-264</b>	<b>\$-264</b>	<b>\$-264</b>	<b>\$-264</b>
Total Staff Benefits	0	-127	-127	-127	-127	-127
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$-391</b>	<b>\$-391</b>	<b>\$-391</b>	<b>\$-391</b>	<b>\$-391</b>
Operating Expenses and Equipment						
5301 - General Expense	0	-10	-10	-10	-10	-10
5302 - Printing	0	-5	-5	-5	-5	-5
5304 - Communications	0	-4	-4	-4	-4	-4
5320 - Travel: In-State	0	-9	-9	-9	-9	-9
5322 - Training	0	-1	-1	-1	-1	-1
5324 - Facilities Operation	0	-32	-32	-32	-32	-32
5340 - Consulting and Professional Services - Interdepartmental	0	6,229	8,009	10,972	9,558	6,498
5344 - Consolidated Data Centers	0	-1	-1	-1	-1	-1
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$6,167</b>	<b>\$7,947</b>	<b>\$10,910</b>	<b>\$9,496</b>	<b>\$6,436</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$5,776</b>	<b>\$7,556</b>	<b>\$10,519</b>	<b>\$9,105</b>	<b>\$6,045</b>

## Fund Summary

Fund Source - State Operations						
0890 - Federal Trust Fund	0	5,776	7,556	10,519	9,105	6,045
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$5,776</b>	<b>\$7,556</b>	<b>\$10,519</b>	<b>\$9,105</b>	<b>\$6,045</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$5,776</b>	<b>\$7,556</b>	<b>\$10,519</b>	<b>\$9,105</b>	<b>\$6,045</b>

## Program Summary

Program Funding						
4045032 - Family Health	0	5,776	7,556	10,519	9,105	6,045
<b>Total All Programs</b>	<b>\$0</b>	<b>\$5,776</b>	<b>\$7,556</b>	<b>\$10,519</b>	<b>\$9,105</b>	<b>\$6,045</b>

**Personal Services Details**

**Salary Information**

Positions	Min	Mid	Max	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
1337 - Sr Info Sys Analyst (Spec) (Eff. 07-01-2016)				0.0	-1.0	-1.0	-1.0	-1.0	-1.0
1384 - Dp Mgr II (Eff. 07-01-2016)				0.0	-1.0	-1.0	-1.0	-1.0	-1.0
1393 - Dp Mgr III (Eff. 07-01-2016)				0.0	-1.0	-1.0	-1.0	-1.0	-1.0

<b>Total Positions</b>				<b>0.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>
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Salaries and Wages	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
1337 - Sr Info Sys Analyst (Spec) (Eff. 07-01-2016)	0	-81	-81	-81	-81	-81
1384 - Dp Mgr II (Eff. 07-01-2016)	0	-85	-85	-85	-85	-85
1393 - Dp Mgr III (Eff. 07-01-2016)	0	-98	-98	-98	-98	-98

<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$-264</b>	<b>\$-264</b>	<b>\$-264</b>	<b>\$-264</b>	<b>\$-264</b>
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Staff Benefits	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
5150900 - Staff Benefits - Other	0	-127	-127	-127	-127	-127

<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$-127</b>	<b>\$-127</b>	<b>\$-127</b>	<b>\$-127</b>	<b>\$-127</b>
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<b>Total Personal Services</b>	<b>\$0</b>	<b>\$-391</b>	<b>\$-391</b>	<b>\$-391</b>	<b>\$-391</b>	<b>\$-391</b>
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