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**Purpose**

Outline the federal regulations for disbursement and use of WIC food dollars.

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**USDA  
Allocation**

- A. USDA allocates funding to the state agency each federal fiscal year for the cost of supplemental foods received by participants in the WIC Program.
1. Funds allocated by USDA-FNS for food purchases may not be used to pay administrative and program services costs, except under specified circumstances. However, administrative and program services funds may be used to pay for food costs.
  2. The state agency is authorized to convert food funds to administrative and program service funds when meeting the following requirements:
    - a. All administrative funds are expended;
    - b. Actual participation exceeds the base participation level established by USDA in its allocation formula;
    - c. Sufficient food funds remain to cover food costs.
  3. When conditions a-b above are met, food funds may be converted at a rate to permit maintenance of the Administrative Grant Per Participant (AGP).
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**Performance  
Standard**

- B. Each federal fiscal year the state agency must meet a 97% performance standard. The state must use 97% or more of the food dollars allocated by USDA-FNS for that fiscal year or USDA-FNS will reduce the food funds allocated for the following fiscal year by the difference between the state agency's actual food expenditures for the previous year and the 97%. Administrative and Program Service funds will be reduced by a corresponding amount. This penalty may be waived by USDA-FNS when:
1. The first year in which a state implements a cost containment initiative, food cost savings are increased by five percent or more.
  2. At its discretion, USDA-FNS determines the reduction would have adverse effects on participants.

**Food  
Funds  
Allocation**

- C. The state agency allocates food funds to all local WIC agencies through the allocation formula. For more information on the allocation formula see Section C in this Volume.
  - 1. The allocation formula specifies caseload goals for local agencies based on the amount of food funds available, the amount of infant formula rebates projected for the fiscal year and the cost of an average food package for a WIC participant.
  - 2. For more information on food package costs and infant formula rebates see the Food Costs procedure in this section.