

FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

CHILD CARE ASSISTANCE FORECASTING GROUP — MARCH 2024

Forecasting Group

Staff from the Department of Management (DOM), the Department of Health and Human Services (HHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 21, 2024, to discuss the [Child Care Assistance \(CCA\) Program's](#) estimated fiscal year (FY) 2024 and FY 2025 expenditures. The Forecasting Group is established in Iowa Code section [234.47](#) to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

Forecasting Group Projections

As shown in **Figure 1**, the Forecasting Group anticipates approximately \$116.9 million in direct care expenditures in FY 2024. This is an increase of approximately \$11.5 million from actual expenditures in FY 2023. The Forecasting Group anticipates expenditures to increase an additional \$1.3 million in FY 2025 for a total of \$118.2 million in direct care expenditures.

Figure 1 — Forecasting Group Child Care Assistance Estimated Budget

| | Actual FY 2023 | Projected FY 2024 | Projected FY 2025 |
|--|-----------------------|-----------------------|-----------------------|
| Revenues | | | |
| State General Fund Appropriation | \$ 40,816,931 | \$ 64,223,730 | \$ 64,223,730 |
| Federal Funds Carried Forward | 73,419,781 | 91,595,854 | 100,003,241 |
| Temporary Assistance for Needy Families | 26,205,412 | 26,205,412 | 26,205,412 |
| Child Care Development Fund | 98,464,666 | 103,108,048 | 103,108,048 |
| Total Revenues | \$ 238,906,790 | \$ 285,133,044 | \$ 293,540,431 |
| Expenditures | | | |
| Total Child Care Assistance | \$ 105,381,706 | \$ 116,894,682 | \$ 118,214,063 |
| Child Care Management Information System | 839,449 | 874,708 | 909,013 |
| Quality Rating System (QRS) Administration | 1,621,936 | 2,394,232 | 2,466,059 |
| Quality Activities & Other | 19,913,152 | 20,035,846 | 16,170,378 |
| Tiered Reimbursement (QRS Levels) | 1,875,000 | 1,500,000 | 1,500,000 |
| Resource and Referral (Fed & State) | 4,296,071 | 4,362,793 | 6,080,933 |
| Early Childhood Iowa Grants | 5,850,000 | 30,701,429 | 30,701,429 |
| Legal Services, Printing, & Postage | 314,857 | 275,213 | 276,616 |
| Healthy Child Care | 0 | 509,124 | 509,124 |
| General Administrative Costs | 2,154,834 | 2,592,751 | 2,592,751 |
| Field Operations | 5,063,932 | 4,989,025 | 4,989,025 |
| Total Expenditures | \$ 147,310,936 | \$ 185,129,803 | \$ 184,409,391 |
| FY Surplus/Shortfall | 18,176,073 | 8,407,387 | 9,127,799 |
| Cumulative Carryforward/Deficit | \$ 91,595,854 | \$ 100,003,241 | \$ 109,131,040 |

Figure 2 displays the Forecasting Group’s consensus estimates, which show that the CCA Program is anticipated to have a total surplus of \$100.0 million at the end of FY 2024, and an additional \$9.1 million in FY 2025, for a final cumulative surplus of \$109.1 million at the close of FY 2025. The Forecasting Group’s estimated surplus for FY 2024 and FY 2025 increased by approximately \$3.8 million and \$12.6 million, respectively, when compared to the projections from the December meeting. The increase in anticipated surplus amounts is attributed to a trending decrease in direct payments to care providers as a result of decreased enrollment, which is expected to continue through FY 2025.

Figure 2 — Forecasting Group Projected Surplus

| | <u>FY 2024</u> | <u>FY 2025</u> | <u>Increase/Decrease</u> |
|--------------------------------|---------------------|----------------------|--------------------------|
| December 2023 Projections | \$ 96,197,049 | \$ 96,549,057 | \$ 352,008 |
| March 2024 Projections | 100,003,241 | 109,131,040 | 9,127,799 |
| Change in Projection Estimates | <u>\$ 3,806,192</u> | <u>\$ 12,581,983</u> | |

The language controlling the federal Child Care and Development Block Grant (CCDBG) funds requires the federal funding to supplement rather than supplant State funding of CCA programs. The U.S. Department of Health and Human Services Administration for Children and Families (ACF) Office of Child Care considers a state to have satisfied the “supplement not supplant” requirement if the state has not made administrative or legislative changes to reduce the amount of general revenue funds for CCA to low-income families below the amount the state would have spent under state law and policies in place on the date of enactment of the federal [Consolidated Appropriations Act, 2018](#) (March 23, 2018). The HHS is currently budgeting federal dollars to supply funding for CCA rate increases as set in [2023 Iowa Acts, chapter 89](#) (Child Care Assistance, Eligibility Act), wherein the HHS was directed to increase child care provider reimbursement rates to a minimum of the 65th percentile but no higher than the 80th percentile of the [2020 Market Rate Survey](#).

CCDBG COVID-19 Funds

For a summary of the \$31.9 million received in CCDBG funds appropriated through the federal [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), please refer to this [Fiscal Update Article](#). These funds are not reflected in the forecasted amounts.

LSA Staff Contact: Louie Hoehle (515.281.6561) louie.hoehle@legis.iowa.gov