FISCAL UPDATE Article

Fiscal Services Division

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ADOPTION SUBSIDY FORECASTING GROUP — MARCH 2024

Forecasting Group. Staff members 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 Adoption Subsidy Program caseload growth and expenditures for fiscal year (FY) 2024 and FY 2025. The Adoption Subsidy Forecasting Group is established in Iowa Code section 234.47 to review expenditures and agree on a consensus estimate for the current and upcoming fiscal years.

Adoption Subsidy Projections. The current funding estimate for the Adoption Subsidy Program utilizing a status quo General Fund appropriation is as follows:

- An actual ending surplus of $13.4 million in FY 2023.
- A projected ending surplus of $13.2 million in FY 2024.
- A projected total ending surplus of $12.9 million in FY 2025.

Included in these amounts is approximately $4.9 million that the HHS is required to hold in reserve to fund postadoption and postguardianship obligations.

The now-expired enhanced Federal Medical Assistance Percentage (FMAP) rate through the duration of the COVID-19 Public Health Emergency continues to positively impact the anticipated surpluses in both future fiscal years. Under current law, these funds will be carried forward for reinvestment savings expenditures in FY 2026. In FY 2023, 87.2% of children were Title IV-E eligible. The Forecasting Group projects that number to increase to 87.6% for FY 2024.

Reinvestment Savings. Federal legislation requires a portion of the State savings resulting from the availability of Title IV-E funds to be reinvested through other qualified expenditures under Titles IV-B and IV-E. The HHS's current reinvestment obligation from federal fiscal year (FFY) 2015 through estimated FFY 2024 is estimated to total $41.9 million. Current estimated and anticipated reinvestment spending through estimated State FY 2024 is expected to total $37.0 million, resulting in a remaining reinvestment obligation of $4.9 million. Services must have started after FFY 2016 to qualify for reinvestment expenditures.

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