

Child Care Assistance, Reimbursement Rates and Eligibility Bill House File 2658

Last Action:
Senate Appropriations
Committee
April 4, 2024

An Act relating to State Child Care Assistance Program reimbursement rates and eligibility for the children of certain child care providers.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available online at www.legis.iowa.gov/publications/information/appropriationBillAnalysis

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FUNDING SUMMARY

House File 2658 sets half-day reimbursement rates for child care providers participating in the Child Care Assistance (CCA) program to at least the 65th percentile but not more than the 80th percentile of the 2023 Market Rate Survey (MRS). The Bill also extends the Child Care Workforce One-Year Pilot Program until June 30, 2025, and requires the Department of Health and Human Services (HHS) to publish data relating to children and families who receive CCA through the Pilot Program.

Fiscal Impact: The combined fiscal impact of HF 2658 is estimated to be approximately \$25.2 million in FY 2025 and approximately \$15.0 million in FY 2026. The Child Care Development Fund, which funds child care provider reimbursements, currently has an estimated surplus of \$96.2 million. The HHS states that the federal share of approximately \$16.8 million in FY 2025 and approximately \$11.7 million in FY 2026 can be absorbed by the surplus. The HHS states that the State share of approximately \$8.4 million in FY 2025 and approximately \$3.3 million in FY 2026 will be covered by shifting State expenditures in other areas to federal funding sources, freeing up State moneys. The HHS states that no additional State appropriations are required at this time.

MAJOR INCREASES/DECREASES/TRANSFERS OF EXISTING PROGRAMS

Directs the HHS to amend its administrative rules to set half-day reimbursement rates paid to child care providers to at least the 65th percentile but no more than the 80th percentile of the 2023 MRS.

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Directs the HHS to extend the Pilot Program until June 30, 2025.

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STUDIES AND INTENT

Requires the HHS to publish data relating to children and families who receive CCA through the Pilot Program.

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1 1 Section 1. DEPARTMENT OF HEALTH AND HUMAN SERVICES —
 1 2 REIMBURSEMENT RATES AND ELIGIBILITY — STATE CHILD CARE
 1 3 ASSISTANCE.

1 4 1. The department of health and human services shall amend
 1 5 its administrative rules pursuant to chapter 17A to set the
 1 6 half-day reimbursement rates paid to child care providers
 1 7 reimbursed under the state child care assistance program to
 1 8 at least the sixty-fifth percentile, but no more than the
 1 9 eightieth percentile, of the 2023 market rate survey conducted
 1 10 by the department to analyze and evaluate the market rate of
 1 11 child care services throughout the state.

Directs the Department of Health and Human Services (HHS) to amend its administrative rules to set half-day reimbursement rates paid to child care providers to at least the 65th percentile but no more than the 80th percentile of the 2023 Market Rate Survey (MRS).

DETAIL: The HHS currently has half-day child care provider reimbursement rates set to at least the 65th percentile but no more than the 80th percentile of the 2020 MRS.

FISCAL IMPACT: Updating child care provider reimbursement rates is estimated to cost approximately \$15,000,000 annually. The federal share is estimated to be approximately \$11,700,000 and the State share is estimated to be approximately \$3,300,000.

1 12 2. a. The department of health and human services shall
 1 13 extend the child care workforce one-year pilot program for
 1 14 the state child care assistance program, implemented by the
 1 15 department of health and human services beginning July 5, 2023,
 1 16 until June 30, 2025.

Directs the HHS to extend the Child Care Workforce One-Year Pilot Program until June 30, 2025.

DETAIL: The HHS started the Pilot Program on July 5, 2023, to allow child care providers to apply for Child Care Assistance (CCA) for their own children. The Pilot Program currently serves 1,676 children, and it is estimated that there will be approximately 1,870 children enrolled in July 2024. The current average cost per child is \$455 per month.

FISCAL IMPACT: Extending the Pilot Program is estimated to cost approximately \$10,200,000 in FY 2025. The federal share is estimated to be approximately \$5,100,000 and the State share is estimated to be approximately \$5,100,000.

1 17 b. The department of health and human services shall publish
 1 18 data relating to children and families who receive state child
 1 19 care assistance under paragraph “a” through utilization of
 1 20 modernized, interactive displays found on the department’s
 1 21 internet site.

Requires the HHS to publish data relating to children and families who receive CCA through the Pilot Program.