
FISCAL UPDATE Article

Fiscal Services Division

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CHILD CARE ASSISTANCE FORECASTING GROUP — MAY 2020

Forecasting Group. Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on May 27, 2020, to discuss the [Child Care Assistance](#) (CCA) Program's estimated FY 2020 and FY 2021 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.

Child Care Assistance Estimated Budget

	Actual FY 2019	Estimated FY 2020	Projected FY 2021
Revenues			
Federal Funds Carried Forward	\$ 14,963,945	\$ 24,898,022	\$ 500,000
State General Fund Appropriation	40,816,931	40,816,931	40,816,931
Temporary Assistance for Needy Families	47,166,826	47,166,826	47,166,826
Child Care Development Fund	69,799,930	75,256,722	76,043,611
Total Revenues	\$ 172,747,632	\$ 188,138,501	\$ 164,527,368
Expenditures			
Total Child Care Assistance	\$ 120,938,156	\$ 122,044,637	\$ 128,433,219
Child Care Management Information System	556,474	614,610	703,123
Quality Rating System	1,707,990	1,601,744	2,041,357
Quality Activities & Other	5,557,553	6,269,979	8,270,518
Tiered Reimbursement (QRS Levels)	2,937,771	5,725,905	5,840,423
Resource and Referral (Fed & State)	3,924,889	4,064,264	4,297,928
Early Childhood Iowa Grants	5,850,000	5,850,000	5,850,000
Legal Services, Printing, & Postage	251,924	249,167	269,570
General Administrative Costs	1,653,686	1,764,209	1,819,758
Field Operations	4,471,167	4,691,484	4,813,861
Carryforward for Federal Fiscal Year	24,898,022	500,000	500,000
Total Expenditures	\$ 172,747,632	\$ 153,375,999	\$ 162,839,757
Surplus / -Need		\$ 34,762,502	\$ 1,687,611
FY 2021 Balance After Applying FY 2020 Surplus			\$ 36,450,113

Fiscal Year 2020. The Forecasting Group estimated that CCA will have an FY 2020 ending balance of \$34.7 million. The FY 2020 revenue estimate also includes some redistributed matching funds from the Child Care Development Fund (CCDF) for federal FY 2019 that were received in State FY 2020. These redistributed funds are not included in the FY 2021 revenue baseline.

The number of regular CCA cases was already lower than FY 2019 utilization before the impacts of COVID-19 further drove down expenditures. However, some of this decrease in utilization is also offset by DHS reimbursement for unlimited absences.

The federal appropriation language around the Child Care and Development Block Grant (CCDBG) funds requires the increased funding to supplement, not 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 of 2018 (March 23, 2018).

FY 2021. The consensus estimated surplus for FY 2021 is \$1.7 million before applying the carryforward from the previous fiscal year. Once the projected FY 2020 surplus is utilized, there is a projected surplus of \$36.5 million.

Regarding the FY 2021 projection, there is an increase of \$3.5 million due to rules promulgated by the DHS in ARC [5035C](#) that adjust CCA Plus eligibility and modify the definition of “infant and toddler” and “preschool” for purposes of reimbursement rates.

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.

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