
FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

CHILD CARE FORECASTING GROUP — OCTOBER 2018

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 October 18, 2018, to discuss the Child Care Assistance (CCA) Program estimated FY 2019 and FY 2020 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.

The [Child Care Assistance Program](#) provides subsidized child care for low-income families with working parents, parents gaining work skills, parents going to school, and parents unable to care for children for a limited time due to physical or mental illness. The table on the following page is the current projected balance sheet for the program.

Fiscal Year 2018 Actuals. The federal budget for FFY 2018 was enacted on Friday, March 23, 2018. The budget included a total increase of \$5.226 billion for the Child Care and Development Block Grant (CCDBG), an increase of \$2.370 billion (83.0%) over FFY 2017. This resulted in an additional \$12.9 million for Iowa in FY 2018. This increased funding was partially used to fill the projected \$6.4 million deficit in the FY 2018 CCA Program budget. Any unspent increased funding would carry forward to FY 2019.

At the end of FY 2018, assistance payments were \$1.6 million less than projected, and other program costs were \$592,000 less than projected. A major contributor to this was the three-period billing cycle that fell during the accrual period, pushing more expenditures than projected into FY 2019. This led an additional \$2.2 million to be carried forward into FY 2019 beyond what the FY 2019 budget originally anticipated.

Fiscal Year 2019. The FY 2019 forecast now includes the new CCDBG funding baseline for federal funds. Federal fiscal year 2019 discretionary funds have been appropriated, but the State has not received allocation tables yet; therefore, this estimate may change.

With the new federal funding baseline included for FY 2019, the consensus estimated surplus is \$16.7 million. This estimate includes the initial \$3.0 million for the provider rate increase required by the FY 2019 Health and Human Services Appropriations Act (2018 Iowa Acts, ch. [1165](#)).

Fiscal Year 2020. The consensus estimated need for FY 2020 is \$6.8 million before applying the carryforward from the previous fiscal year. The forecast predicts continued case growth and cost-per-case trends and incorporates the annualized cost of the provider rate increase. Once the projected FY 2019 surplus is utilized, there is a projected surplus of \$9.9 million. However, there are still some unknown program policy items that may affect the surplus beyond FY 2020.

The federal appropriation language around the CCDBG funds requires the increased funding to supplement, not supplant, state funding of CCA programs. The 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 child care assistance 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 Consolidated Appropriations Act of 2018 (March 23, 2018).

The additional funding could also impact the DHS waiver regarding the CCA Plus exit eligibility segment. The waiver seeks to maintain a 12-month eligibility limit rather than the final federal rule for perpetual funding as long as the family is below an established exit eligibility ceiling. The ACF Office of Child Care has not formally replied to Iowa's waiver application yet. If the waiver is not approved, the long-term costs and parameters of the CCA Plus segment will need to be assessed.

Child Care Assistance Estimated Budget			
	Actual FY 2018	Projected FY 2019	Projected FY 2020
Revenues			
Funds Carried Forward	\$ 1,063,700	\$ 14,963,945	\$ 500,000
State General Fund Appropriation	39,343,616	40,816,931	40,816,931
Temporary Assistance for Needy Families	53,603,561	47,166,826	47,866,826
Child Care Development Fund	62,186,695	68,680,289	69,199,586
Special Grant Funds	18,612	0	0
Total Revenues	\$ 156,216,184	\$ 171,627,991	\$ 158,383,343
Expenditures			
Total Child Care Assistance	\$ 117,595,896	\$ 125,957,686	\$ 133,118,390
Child Care Management Information System	567,318	643,123	643,123
Quality Rating System	1,265,795	1,625,340	1,941,476
Quality Activities & Other	5,691,877	8,646,193	10,641,544
Resource and Referral (Fed & State)	3,662,314	4,109,138	4,109,138
Early Childhood Iowa Grants	5,850,000	5,850,000	5,850,000
Legal Services, Printing, & Postage	263,979	291,908	291,908
General Administrative Costs	1,667,388	1,841,995	1,936,170
Field Operations	4,872,168	5,423,709	6,196,485
Special Grant Funds	18,112	0	0
Expenses Transferred to CC Facility Fund	-202,608	0	0
Carryforward for Federal Fiscal Year	14,963,945	500,000	500,000
Total Expenditures	\$ 156,216,184	\$ 154,889,092	\$ 165,228,234
Surplus / -Need		\$ 16,738,899	\$ -6,844,891
FY 2020 Balance After Applying FY 2019 Surplus			\$ 9,894,008

LSA Staff Contact: Kent Ohms (515.971.7053) kenneth.ohms@legis.iowa.gov

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