
FISCAL UPDATE Article

Fiscal Services Division

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Des Moines, Iowa 50319

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CHILD CARE ASSISTANCE FORECASTING GROUP — DECEMBER 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 December 18, 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.

LSA Child Care Assistance Estimated Budget

	Actual FY 2020	Estimated FY 2021	Projected FY 2022
Revenues			
Federal Funds Carried Forward	\$ 24,398,022	\$ 41,375,616	\$ 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	75,275,385	76,771,121	76,068,496
Total Revenues	\$ 187,657,164	\$ 206,130,494	\$ 164,552,253
Expenditures			
Total Child Care Assistance	\$ 116,165,569	\$ 120,288,925	\$ 129,775,484
Child Care Management Information System	499,685	614,610	703,123
Quality Rating System	1,402,777	1,601,744	2,041,357
Quality Activities & Other	5,983,941	6,269,979	8,270,518
Tiered Reimbursement (QRS Levels)	5,805,441	5,725,905	5,840,423
Provider Stipends (Dec 2020 - Feb 2021)		6,773,023	
Resource and Referral (Fed & State)	4,062,493	4,064,264	4,297,928
Early Childhood Iowa Grants	5,850,000	5,850,000	5,850,000
Legal Services, Printing, & Postage	232,760	249,167	269,570
General Administrative Costs	1,866,312	1,764,209	1,819,758
Field Operations	4,412,570	4,691,484	4,813,861
Carryforward for Federal Fiscal Year	41,375,616	500,000	500,000
Total Expenditures	\$ 187,657,164	\$ 158,393,310	\$ 164,182,022
Surplus / -Need		\$ 47,737,184	\$ 370,231
FY 2022 Balance After Applying FY 2021 Surplus			\$ 48,107,415

Fiscal Year 2021. While the LSA estimate above shows an estimated CCA ending balance for FY 2021 of \$48.1 million, the Forecasting Group consensus estimates that CCA will have an FY 2021 ending balance of \$47.8 million. The FY 2021 revenue estimate also includes some redistributed matching funds from the Child Care Development Fund (CCDF) for federal FY 2020 that were received in State FY 2021. These redistributed funds are not included in the FY 2022 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, and numbers have remained lower during the pandemic. Some of this decrease in utilization is also offset by DHS reimbursement for unlimited absences and additional expenses in State-funded provider stipends.

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 2022. The LSA estimated surplus for FY 2022 is \$370,000, but the consensus estimated shortfall for FY 2022 is \$340,000 before applying the carryforward from the previous fiscal year. Once the consensus projected FY 2021 surplus is utilized, there is a projected surplus of \$47.8 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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