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## FISCAL UPDATE Article

Fiscal Services Division

December 21, 2022



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### CHILD CARE ASSISTANCE FORECASTING GROUP — DECEMBER 2022

**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 20, 2022, to discuss the [Child Care Assistance](#) (CCA) Program's estimated fiscal year (FY) 2022 and FY 2023 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 2022	Projected FY 2023	Projected FY 2024
<b>Revenues</b>			
State General Fund Appropriation	\$ 40,816,931	\$ 40,816,931	\$ 40,816,931
Federal Funds Carried Forward	56,385,156	73,418,829	94,233,066
State Carryforward	9,403	0	0
Temporary Assistance for Needy Families	26,205,412	26,205,412	26,205,412
Child Care Development Fund	84,256,434	84,534,519	84,534,519
<b>Total Revenues</b>	<b>\$ 207,673,336</b>	<b>\$ 224,975,691</b>	<b>\$ 245,789,928</b>
<b>Expenditures</b>			
Total Child Care Assistance	\$ 104,609,828	\$ 101,807,938	\$ 104,257,045
Child Care Management Information System	629,602	766,946	800,536
Quality Rating System	1,932,649	1,430,876	1,473,802
Quality Activities & Other	6,869,588	6,912,138	7,247,725
Tiered Reimbursement (QRS Levels)	2,592,344	2,500,000	2,500,000
Resource and Referral (Fed & State)	4,163,290	3,874,190	4,076,497
Early Childhood Iowa Grants	5,845,000	5,845,000	5,845,000
Legal Services, Printing, & Postage	275,225	268,556	289,223
General Administrative Costs	2,009,974	2,009,974	2,009,974
Field Operations	5,327,007	5,327,007	5,327,007
<b>Total Expenditures</b>	<b>\$ 134,254,507</b>	<b>\$ 130,742,625</b>	<b>\$ 133,826,809</b>
FY Surplus / (Shortfall)	17,024,270	20,814,237	17,730,053
<b>Cumulative Carryforward / (Deficit)</b>	<b>\$ 73,418,829</b>	<b>\$ 94,233,066</b>	<b>\$ 111,963,119</b>

**LSA Projections.** As shown in the table above, the CCA carryforward at the end of FY 2022 is approximately \$73.4 million. The LSA projections anticipate that the CCA surplus will increase by \$20.8 million in FY 2023, and an additional \$17.7 million in FY 2024, for a total surplus of \$112.0 million at the end of FY 2024.

**Consensus Group Forecast.** In the table below, the Forecasting Group consensus estimates that the CCA Program will have a total surplus of \$93.5 million at the end of FY 2023. The Group also projected an additional surplus of approximately \$16.4 million in FY 2024 for a cumulative surplus of \$109.9 million by the end of FY 2024. The Forecasting Group's estimated surplus for FY 2023 increased by \$12.8 million when compared to the estimated projections from the October meeting. The increase in anticipated surplus amounts is attributed to a slower-than-previously-anticipated return to pre-COVID-19 CCA utilization and fewer families qualifying for the program due to recent trends in increased wages.

**Forecasting Group Projected Surplus**

	<b>FY 2023</b>	<b>FY 2024</b>	<b>Increase/(Decrease)</b>
October 2022 Projections	\$ 91,771,652	\$ 104,598,300	\$ 12,826,648
December 2022 Projections	93,521,992	109,908,821	16,386,829
Change in Projection Estimates	<u>\$ 1,750,340</u>	<u>\$ 5,310,522</u>	<u>\$ 3,560,182</u>

The language controlling the federal Child Care and Development Block Grant (CCDBG) funds requires the federal funding to supplement rather than 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). The DHS is currently budgeting federal dollars to supply funding for CCA rate increases as set in [2021 Iowa Acts, chapter 182](#) (Health and Human Services Appropriations Act), wherein the DHS was directed to increase child care provider reimbursement rates to a minimum of the 50th percentile of the most recent market rate survey.

**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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