

FISCAL UPDATE Article

Fiscal Services Division

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Des Moines, Iowa 50319

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CHILD CARE ASSISTANCE FORECASTING GROUP — MARCH 2023

Forecasting Group. Staff from the Department of Management (DOM), the Department of Health and Human Services (HHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 24, 2023, to discuss the [Child Care Assistance](#) (CCA) Program's estimated fiscal year (FY) 2023 and FY 2024 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
Revenues			
State General Fund Appropriation	\$ 40,816,931	\$ 40,816,931	\$ 40,816,931
Federal Funds Carried Forward	56,385,156	73,419,781	107,740,650
State Carryforward	9,403	0	0
Temporary Assistance for Needy Families	26,205,412	26,205,412	26,205,412
Child Care Development Fund	84,257,386	98,464,666	103,108,048
Total Revenues	\$ 207,674,288	\$ 238,906,790	\$ 277,871,041
Expenditures			
Total Child Care Assistance	\$ 104,609,828	\$ 100,331,855	\$ 101,500,000
Child Care Management Information System	629,602	590,450	615,908
Quality Rating System (QRS)	1,932,649	1,340,780	1,381,004
Quality Activities & Other	6,869,588	7,951,809	8,195,918
Tiered Reimbursement (QRS Levels)	2,592,344	2,500,000	2,500,000
Resource and Referral (Fed & State)	4,163,290	4,905,850	5,159,740
Early Childhood Iowa Grants	5,845,000	5,845,000	5,845,000
Legal Services, Printing, & Postage	275,225	295,895	289,223
General Administrative Costs	2,009,974	2,079,112	2,079,112
Field Operations	5,327,007	5,325,388	5,325,388
Total Expenditures	\$ 134,254,507	\$ 131,166,140	\$ 132,891,294
FY Surplus / (Shortfall)	17,025,222	34,320,869	37,239,097
Cumulative Carryforward / (Deficit)	\$ 73,419,781	\$ 107,740,650	\$ 144,979,747

LSA Projections. As shown in the table above, the CCA carryforward at the end of FY 2022 was approximately \$73.4 million. The LSA projections anticipate that the CCA surplus will increase by \$34.3 million in FY 2023, and an additional \$37.2 million in FY 2024, for a total surplus of \$145.0 million at the end of FY 2024.

Consensus Group Forecast. As shown in the table below, the Forecasting Group consensus estimates that the CCA Program will have a total surplus of \$107.8 million at the end of FY 2023. The Forecasting Group also projected an additional surplus of approximately \$37.0 million in FY 2024, for a cumulative surplus of \$144.8 million by the end of FY 2024. The Forecasting Group's estimated surplus for FY 2023 increased by \$14.3 million when compared to the estimated projections from the December meeting. The increase in anticipated surplus amounts is partially attributed to a 1.6% decrease in CCA Program enrollment as well as additional Child Care and Development Fund (CCDF) moneys made available to the Program through an increase in the federal discretionary award of \$13.9 million in FY 2023 and \$18.6 million in FY 2024.

Forecasting Group Projected Surplus			
	<u>FY 2023</u>	<u>FY 2024</u>	<u>Increase/(Decrease)</u>
December 2022 Projections	\$ 93,521,992	\$ 109,908,821	\$ 16,386,829
March 2023 Projections	107,792,514	144,774,927	36,982,412
Change in Projection Estimates	<u>\$ 14,270,522</u>	<u>\$ 34,866,105</u>	<u>\$ 20,595,583</u>

Reversion of Federal Funds. Assuming there is no increase in current spending, approximately \$28.0 million of the anticipated FY 2023 surplus will revert to the federal government at the end of FY 2023 pursuant to [federal regulations](#) regarding the use of CCDF funds.

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 HHS 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 HHS 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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