

FISCAL UPDATE Article

Fiscal Services Division

November 2, 2023



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Des Moines, Iowa 50319

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CHILD CARE ASSISTANCE FORECASTING GROUP — OCTOBER 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 October 24, 2023, to discuss the [Child Care Assistance](#) (CCA) Program's estimated fiscal year (FY) 2024 and FY 2025 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.

Figure 1 — LSA Child Care Assistance Estimated Budget

	Actual FY 2023	Projected FY 2024	Projected FY 2025
Revenues			
State General Fund Appropriation	\$ 40,816,931	\$ 64,223,730	\$ 64,223,730
Federal Funds Carried Forward	73,419,781	91,598,245	94,914,594
Temporary Assistance for Needy Families	26,205,412	26,205,412	26,205,412
Child Care Development Fund	98,464,666	103,108,048	103,108,048
Total Revenues	\$ 238,906,790	\$ 285,135,435	\$ 288,451,784
Expenditures			
Total Child Care Assistance	\$ 105,381,706	\$ 129,093,741	\$ 128,146,261
Child Care Management Information System	839,449	920,662	821,555
Quality Rating System (QRS) Administration	1,621,936	828,986	1,338,165
Quality Activities & Other	19,913,152	16,688,238	16,099,159
Tiered Reimbursement (QRS Levels)	1,875,000	1,500,000	1,500,000
Resource and Referral (Fed & State)	4,296,071	2,342,614	5,057,621
Early Childhood Iowa Grants	5,850,000	30,701,429	30,701,429
Legal Services, Printing, & Postage	314,857	228,392	300,886
Healthy Child Care	0	691,798	691,798
General Administrative Costs	2,154,834	2,140,158	2,140,158
Field Operations	5,061,541	5,084,824	5,084,824
Total Expenditures	\$ 147,308,545	\$ 190,220,841	\$ 191,881,857
FY Surplus / (Shortfall)	18,178,464	3,316,349	1,655,333
Cumulative Carryforward / (Deficit)	\$ 91,598,245	\$ 94,914,594	\$ 96,569,928

LSA Projections. As shown in **Figure 1** above, the cumulative CCA carryforward at the end of FY 2023 was approximately \$91.6 million. The LSA projections anticipate that the CCA surplus will increase by \$3.3 million in FY 2024 and by an additional \$1.7 million in FY 2025, for a total surplus of \$96.6 million at the end of FY 2025.

Forecasting Group Consensus. The Forecasting Group estimates that the CCA Program will have a total surplus of \$97.2 million at the end of FY 2024. The Forecasting Group projects a budget shortfall of approximately \$745,000 in FY 2025, for a cumulative net surplus of \$96.4 million at the end of FY 2025. The Forecasting Group's estimated surplus for FY 2024 decreased by \$50.1 million when compared to

the consensus projections from the meeting held in March 2023. The decrease in anticipated surplus amounts is partially attributed to an increase in anticipated direct care spending resulting from the enactment of 2023 Iowa Acts, [House File 707](#) (Child Care Assistance Eligibility Act), which is estimated to increase expenditures by \$25.7 million annually by expanding program eligibility and reimbursement rates, and increased spending for allowable quality activities starting in FY 2023.

Federal Surplus. The federal 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 HF 707, wherein the HHS was directed to increase child care provider reimbursement rates to a minimum of the 65th percentile but no more than the 80th percentile of the 2020 market rate survey.

CCDBG COVID-19 Funds. For a summary of the use 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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Doc ID 1387031