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## FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

### ADOPTION SUBSIDY FORECASTING GROUP — DECEMBER 2023

**Forecasting Group.** Staff members 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 December 19, 2023, to discuss the [Adoption Subsidy Program](#) caseload growth and expenditures for fiscal year (FY) 2024 and FY 2025. The Adoption Subsidy Forecasting Group is established in Iowa Code section [234.47](#) to review expenditures and agree on a consensus estimate for the current and upcoming fiscal years.

**Adoption Subsidy Projections.** The current funding estimate for the Adoption Subsidy Program utilizing a status quo General Fund appropriation is as follows:

- An actual ending surplus of \$13.4 million in FY 2023.
- A projected ending surplus of \$13.4 million in FY 2024.
- A projected total ending surplus of \$13.3 million in FY 2025.

The now-expired enhanced Federal Medical Assistance Percentage (FMAP) rate through the duration of the COVID-19 Public Health Emergency continues to positively impact the anticipated surpluses in both future fiscal years. Under current law, these funds will be carried forward for reinvestment savings expenditures in FY 2026. In FY 2023, 87.2% of children were Title IV-E eligible. The Forecasting Group projects that number to increase to 87.7% for FY 2024.

Division V of 2022 Iowa Acts, chapter [1131](#) (FY 2023 Health and Human Services Appropriations Act), authorized the transfer of \$11.0 million to the HHS Department-Wide Duties appropriation to be used for HHS facility operations. These funds continue to be held in reserve and are not reflected in the actual or projected surplus totals shown above. Furthermore, included in the amounts above is approximately \$4.9 million that the Department is required to hold in reserve to fund postadoption and postguardianship obligations.

**Reinvestment Savings.** Federal legislation requires a portion of the State savings resulting from the availability of Title IV-E funds be reinvested through other qualified expenditures under Titles IV-B and IV-E. The HHS's current reinvestment obligation from federal fiscal year (FFY) 2015 through estimated FFY 2024 is estimated to total \$41.9 million. Current estimated and anticipated reinvestment spending through estimated State FY 2024 is expected to total \$37.0 million, resulting in a remaining reinvestment obligation of \$4.9 million. Services must have started after FFY 2016 to qualify for reinvestment expenditures.

LSA Staff Contact: Christopher Ubben (515.725.0134) [chris.ubben@legis.iowa.gov](mailto:chris.ubben@legis.iowa.gov)

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