

FISCAL UPDATE Article

Fiscal Services Division

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CHILD CARE ASSISTANCE FORECASTING GROUP — DECEMBER 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 December 19, 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.

Forecasting Group Projections.

As shown in **Figure 1**, the Forecasting Group anticipates approximately \$124.8 million in direct care expenditures in FY 2024. This is an increase of approximately \$19.4 million from actual expenditures in FY 2023. The Forecasting Group anticipates expenditures to increase an additional \$5.2 million in FY 2025 for a total of \$129.9 million in direct care expenditures.

Figure 1 — Forecasting Group 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	91,595,854	96,197,049
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	\$ 285,133,044	\$ 289,734,239
Expenditures			
Total Child Care Assistance	\$ 105,381,706	\$ 124,768,373	\$ 129,940,346
Child Care Management Information System	839,449	1,181,732	1,219,592
Quality Rating System (QRS) Administration	1,621,936	1,634,735	1,683,777
Quality Activities & Other	19,913,152	18,032,223	15,355,838
Tiered Reimbursement (QRS Levels)	1,875,000	1,500,000	1,500,000
Resource and Referral (Fed & State)	4,296,071	3,333,939	5,000,636
Early Childhood Iowa Grants	5,850,000	30,788,779	30,788,779
Legal Services, Printing, & Postage	314,857	327,733	327,733
Healthy Child Care	0	691,798	691,798
General Administrative Costs	2,154,834	2,205,053	2,205,053
Field Operations	5,063,932	4,471,630	4,471,630
Total Expenditures	\$ 147,310,936	\$ 188,935,995	\$ 193,185,182
FY Surplus/Shortfall	18,176,073	4,601,195	352,008
Cumulative Carryforward/Deficit	\$ 91,595,854	\$ 96,197,049	\$ 96,549,057

Consensus Group Forecast.

Figure 2 displays the Forecasting Group’s consensus estimates, which show that the CCA Program is anticipated to have a total surplus of \$96.2 million at the end of FY 2024. The Group also projected an additional surplus of approximately \$352,000 in FY 2024 for a cumulative surplus of \$96.6 million by the end of FY 2025. The Forecasting Group’s estimated surplus for FY 2024 decreased by approximately \$965,000 when compared to the estimated projections from the October meeting. The decrease in anticipated surplus amounts is attributed to increased spending in child care-related activities outside of direct care expenditures outweighing the decreasing direct care expenditure expectations.

Figure 2 — Forecasting Group Projected Surplus

	<u>FY 2024</u>	<u>FY 2025</u>	<u>Increase/Decrease</u>
October 2023 Projections	\$ 97,162,531	\$ 96,417,975	\$ -744,556
December 2023 Projections	96,197,049	96,549,057	352,008
Change in Projection Estimates	<u>\$ -965,482</u>	<u>\$ 131,082</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 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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