

FISCAL UPDATE Article

Fiscal Services Division

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CHILD CARE ASSISTANCE FORECASTING GROUP — MARCH 2025

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, 2025, to discuss the [Child Care Assistance \(CCA\) Program's](#) estimated fiscal year (FY) 2025 and FY 2026 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 \$127.8 million in direct care expenditures in FY 2025. This is an increase of approximately \$9.4 million from actual expenditures in FY 2024. The Forecasting Group anticipates expenditures will increase an additional \$1.9 million in FY 2026 for a total of \$129.7 million in direct care expenditures. The State General Fund appropriation for CCA was decreased by \$29.3 million in FY 2025 due to the Early Childhood Iowa grants allocation being moved to the Early Intervention and Supports appropriation within 2024 Iowa Acts, chapter [1157](#) (FY 2025 Health and Human Services Appropriations Act). Additionally, the Healthy Child Care expenditure has been moved to General Administrative Costs beginning with FY 2025.

Figure 1 — Forecasting Group's Child Care Assistance Estimated Budget

	Actual FY 2024	Projected FY 2025	Projected FY 2026
Revenues			
State General Fund Appropriation	\$ 64,223,730	\$ 34,966,931	\$ 34,966,931
Federal Funds Carried Forward	91,372,979	88,543,889	95,884,450
Temporary Assistance for Needy Families	7,205,412	26,205,412	26,205,412
Child Care Development Fund	107,999,726	109,630,285	109,630,285
Total Revenues	\$ 270,801,847	\$ 259,346,517	\$ 266,687,078
Expenditures			
Total Child Care Assistance	\$ 118,418,066	\$ 127,832,106	\$ 129,719,545
Child Care Management Information System	1,278,410	755,435	778,864
Quality Rating System (QRS) Administration	2,587,051	2,321,436	2,391,079
Quality Activities & Other	18,880,844	15,878,042	17,258,763
Tiered Reimbursement (QRS Levels)	0	1,500,000	1,500,000
Resource and Referral (Fed & State)	4,303,837	5,216,082	5,468,713
Early Childhood Iowa Grants	28,997,162	0	0
Legal Services, Printing & Postage	322,441	252,676	252,676
Healthy Child Care	690,306	0	0
General Administrative Costs	2,319,781	6,542,484	6,542,484
Field Operations	4,460,061	3,163,807	3,163,807
Total Expenditures	\$ 182,257,958	\$ 163,462,067	\$ 167,075,931
FY Surplus/Shortfall	-2,829,090	7,340,561	3,726,697
Cumulative Carryforward/Deficit	\$ 88,543,889	\$ 95,884,450	\$ 99,611,147

Funding provided from the federal Child Care and Development Block Grant (CCDBG) is required 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 to a level 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, 2018](#) (March 23, 2018). The HHS is currently budgeting federal dollars to supply funding for CCA rate increases as set in 2023 Iowa Acts, chapter [89](#) (Child Care Assistance, Eligibility Act), wherein the HHS was directed to increase child care provider reimbursement rates to a minimum of the 65th percentile but no higher than the 80th percentile of the [2020 Market Rate Survey](#). 2024 Iowa Acts, chapter [1126](#) (Child Care Assistance, Reimbursement Rates and Eligibility Act), updated child care provider reimbursement rates to be a minimum of the 65th percentile but no higher than the 80th percentile of the [2023 Market Rate Survey](#).

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