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## FISCAL UPDATE Article

Fiscal Services Division

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### ADOPTION SUBSIDY FORECASTING GROUP — AUGUST 2025

**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 March 25, 2025, to discuss the [Adoption Subsidy Program](#) caseload and expenditures for FY 2025 and FY 2026. 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 estimates for the Adoption Subsidy Program utilizing a status quo General Fund appropriation are as follows:

- An actual ending surplus of \$12.3 million in FY 2024.
- A projected ending surplus of \$12.2 million in FY 2025.
- A projected total ending surplus of \$11.5 million in FY 2026.

Included in these ending surplus amounts is approximately \$4.5 million in FY 2025 and \$4.0 million in FY 2026 that the HHS is required to hold in reserve to fund postadoption and post-guardianship obligations.

The anticipated surpluses in future fiscal years continue to benefit from the now-expired Federal Medical Assistance Percentage (FMAP) rate that was in effect during the COVID-19 Public Health Emergency. Under current law, the surplus funds will be carried forward for future reinvestment savings expenditures. In FY 2024, 88.1% of adopted children were Title IV-E eligible. The Forecasting Group projects that rate to increase to 88.9% for FY 2025 and FY 2026.

**Reinvestment Savings.** Federal legislation requires a portion of the State savings resulting from the availability of Title IV-E funds to 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 2025 is estimated to total \$47.9 million. Current estimated and anticipated reinvestment spending through estimated State FY 2025 is expected to total \$43.3 million, resulting in a remaining reinvestment obligation of \$4.6 million. Services must have started after FFY 2016 to qualify for reinvestment expenditures.

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