
FISCAL UPDATE Article

Fiscal Services Division

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ADOPTION SUBSIDY FORECASTING GROUP — AUGUST 2026

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 August 18, 2026, to discuss the [Adoption Subsidy Program](#) caseload and expenditures for FY 2026 and FY 2027. 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 2025.
- A projected ending surplus of \$8.4 million in FY 2026.
- A projected total ending surplus of \$4.5 million in FY 2027.

The projected ending surplus amounts represent a decrease of \$3.8 million in FY 2026 and \$8.0 million in FY 2027 when compared to the ending surplus amounts projected by the forecasting group on [March 10, 2026](#). The decrease in the projected ending surplus amount for FY 2026 is largely driven by an increase in reinvestment expenditures for FY 2026. In 2026 Iowa Acts, [House File 2782](#) (FY 2027 Health and Human Services Appropriations Act), the General Assembly decreased the FY 2027 General Fund adoption subsidy allocation by \$1.4 million when compared to the FY 2026 allocation. The decrease in the projected ending surplus amount for FY 2027 is largely driven by the decrease in the General Fund allocation amount as well as an increase in reinvestment expenditures for FY 2027.

Included in these ending surplus amounts is approximately \$4.9 million in FY 2026 and \$4.4 million in FY 2027 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 2025, 88.6% of adopted children were Title IV-E eligible. The Forecasting Group projects that rate will increase to 88.9% for FY 2026 and 89.0% for FY 2027.

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 FFY 2025 is estimated to total \$51.4 million. Current estimated and anticipated reinvestment spending through State FY 2025 is expected to total \$46.6 million, resulting in a remaining reinvestment obligation of \$4.9 million. Services must have started after FFY 2016 to qualify for reinvestment expenditures.

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