



CHILD CARE ASSISTANCE AND ADOPTION SUBSIDY PROJECTIONS

Projections Workgroup. Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on October 26, 2015, to discuss the Child Care Assistance and Adoption Subsidy Program actual FY 2015 expenditures and estimated FY 2016 and FY 2017 expenditures. The projections workgroup 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. An updated projection will likely be issued in December 2015.

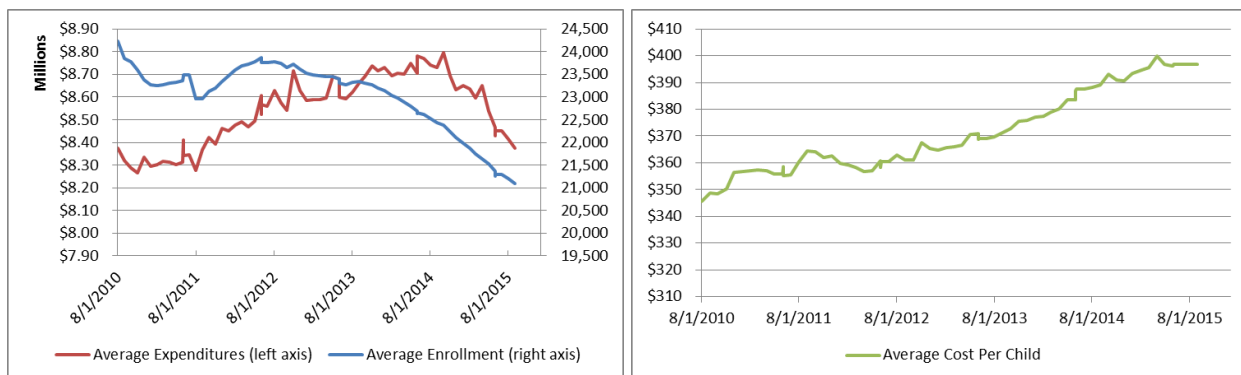
Child Care Assistance Program.

Fiscal Year 2015. Total child care assistance expenditures for FY 2015 totaled \$101.3 million, \$1.4 million (-0.9%) below the estimated consensus from March 26, 2015, and \$3.8 million below FY 2014. Total enrollment for FY 2015 was 255,600, a decrease of 15,800 (-5.8%) compared to FY 2014.

Also, pursuant to 2015 Iowa Acts chapter 137 ([SF 505](#) – FY 2016 Health and Human Services Appropriations Act), \$10.8 million of the General Fund total was transferred to the Medicaid shortfall. A portion of this was backfilled with federal Temporary Assistance for Needy Families funds. After this change, the ending balance of federal funds brought forward into FY 2016 totaled \$4.5 million. When federal fund carryforwards are used, the funds supplant General Funds in a one-time manner that must be adjusted in succeeding fiscal years.

Fiscal Year 2016. The FY 2016 appropriation represented an increase of \$15.1 million compared to the FY 2015 appropriation. Part of this was due to the estimated surplus and associated adjustments that were utilized for Medicaid, and \$2.8 million was provided to increase program eligibility to 150.0% of the federal poverty level. This eligibility increase was item vetoed by the Governor.

The consensus agreement for FY 2016 was an estimated surplus of \$9.3 million. Due to how billing at the close of one fiscal year and beginning of another works, it is difficult to see how the trends are changing or staying the same. The decreased enrollment seems to be slowing and the cost per case continues to rise. The blue line on the chart below shows the 12-month rolling average for enrolled children, while the red line has the 12-month rolling average for expenditures. The chart with the green line demonstrates the 12-month rolling average for cost per child in the program.



Fiscal Year 2017. Generally, case counts were held steady, with increases to the average cost per child to arrive at a consensus estimate of a \$2.5 million surplus based on a status quo appropriation. When including the FY 2016 estimated surplus, that grows to \$11.8 million. But, due to the federal reauthorization of the Child Care Development Block Grant (P.L. 113-[186](#)), there are a number of

federally required changes that the state must adopt during the coming fiscal year. Some changes are precisely mandated, while others could be implemented using a variety of policy options. They include:

- 12-Month Eligibility Period: Families in the program remain eligible if their income exceeds the minimum eligibility threshold after originally qualifying for the program, but remains below 85.0% of the state median income. Iowa currently has a six-month eligibility period.
- Exit Eligibility: States must provide a graduated phase out of assistance.
- Job Search: States must provide a period of continued assistance of at least three months following a non-temporary loss of job, education, or training that affects eligibility. Iowa currently provides one month.
- Tiered Reimbursement for Providers: States must take into consideration the cost of providing higher quality child care when setting payment rates.
- Quality Set Aside: States must spend an increasing amount of funds on quality activities.

Child Care Assistance Projections

	<u>Actual</u> <u>FY 2015</u>	<u>Projected</u> <u>FY 2016</u>	<u>Projected</u> <u>FY 2017</u>
Revenues			
Federal funds carried forward	\$ 6,809,992	\$ 4,520,804	\$ 500,000
State General Fund Appropriation	36,303,944	51,408,668	51,408,668
Temporary Assistance for Needy Families	41,210,239	35,047,110	35,047,110
Child Care Development Fund	45,909,257	45,652,231	45,652,231
Total Revenues	<u>\$ 130,233,432</u>	<u>\$ 136,628,813</u>	<u>\$ 132,608,009</u>
Expenditures			
Total Child Care Assistance	\$ 101,409,325	\$ 101,918,685	\$ 104,401,407
Child Care MIS	389,041	525,590	643,123
Quality Rating System	936,974	936,974	936,974
Quality Activities & Other	7,266,852	6,957,256	7,223,520
Resource and Referral (fed & state)	2,881,238	2,960,873	2,960,873
Early Childhood Iowa Grants	6,350,000	6,350,000	6,350,000
Legal Services, Printing & Postage	273,916	313,069	325,766
General Administrative Costs (fed share)	1,585,183	1,755,398	1,850,626
Field Operations and LAE (fed share)	4,520,099	5,065,636	5,412,665
Transfer to Department of Public Health	100,000	0	0
Carry Forward for Federal Fiscal Year	0	500,000	0
Total Expenditures	<u>\$ 125,712,628</u>	<u>\$ 127,283,481</u>	<u>\$ 130,104,954</u>
Surplus / (NEED)	<u>\$ 4,520,804</u>	<u>\$ 9,345,332</u>	<u>\$ 2,503,055</u>
FY 2017 after FY 2016 Surplus			\$ 11,848,387

Adoption Subsidy Projections. The FY 2016 Health and Human Services Appropriations Act included a General Fund appropriation of \$43.0 million for the Adoption Subsidy Program. This was an increase of \$417,500 compared to the final FY 2015 appropriation. The number of Title IV-E eligible adopted children continues to increase, and the more favorable FMAP (Federal Medical Assistance Percentage) rate in FY 2017 led to the following estimates:

- **Fiscal Year 2016.** The workgroup agreed to an estimated surplus of \$151,100.
- **Fiscal Year 2017.** The workgroup agreed to an estimated program surplus of \$139,400 using a status quo budget.

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