



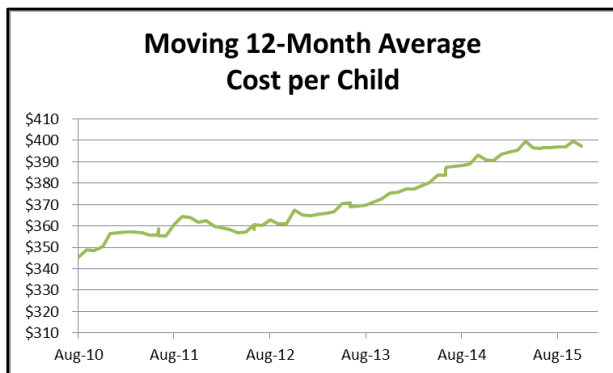
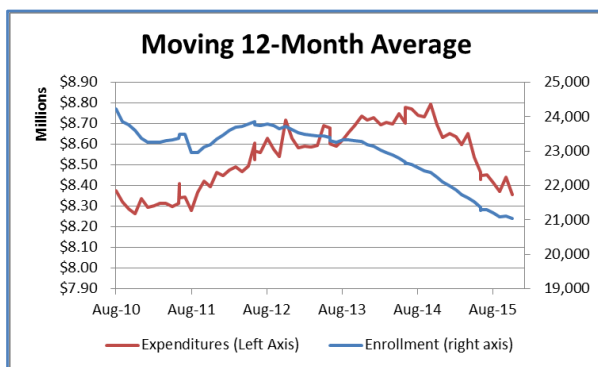
CHILD CARE ASSISTANCE AND ADOPTION SUBSIDY PROJECTIONS

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 December 17, 2015, to discuss the Child Care Assistance and Adoption Subsidy Program 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. The next meeting for a revised estimate is tentatively scheduled for March 2016.

Child Care Assistance Program. The [Child Care Assistance](#) program provides subsidized child care for low-income families with working parents, parents gaining work skills, parents going to school, and parents unable to care for children for a limited time due to physical or mental illness.

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 families with income up 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 \$9.6 million, an increase of \$336,000 compared to the [October estimate](#). 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 \$2.7 million surplus, an increase of \$212,000 compared to the October estimate, based on a status quo appropriation. When including the FY 2016 estimated surplus, that grows to \$12.4 million, an increase of \$0.6 million from the October estimate.

Federally Mandated Changes. 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. These changes are itemized below, along with some additional proposals and estimates from the DHS about the fiscal impact of these items.

- **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 phaseout of assistance.

- Job Search: States must provide a period of continued assistance of at least three months following a nontemporary 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

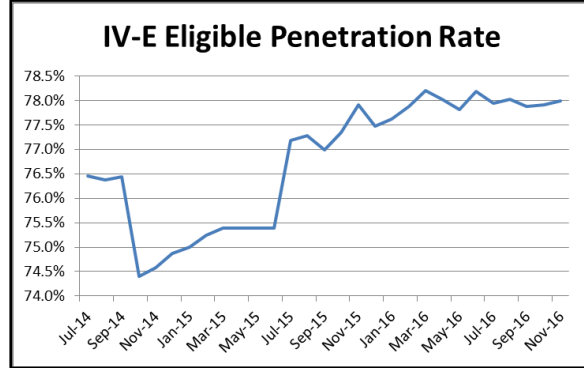
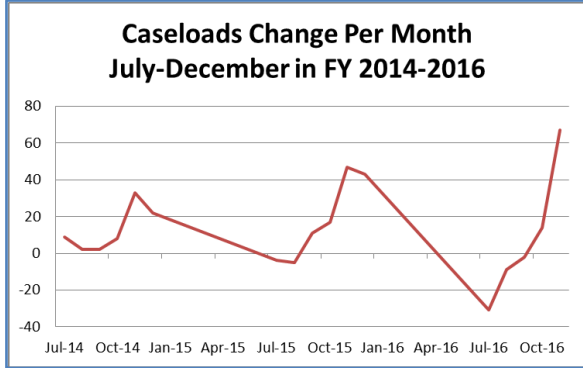
	<u>Actual FY 2015</u>	<u>Projected FY 2016</u>	<u>Projected FY 2017</u>
Revenues			
Federal funds carried forward	\$ 6,809,992	\$ 4,520,804	\$ 500,000
State General Fund Appropriation	36,303,944	51,408,668	51,408,668
Temporary Assistance for Needy Families	41,210,239	35,047,110	35,047,110
Child Care 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	\$ 102,007,795	\$ 103,812,226
Child Care MIS	389,041	474,664	643,123
Quality Rating System	936,974	936,974	936,974
Quality Activities & Other	7,266,852	6,854,443	7,249,340
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	311,274	325,766
General Administrative Costs (fed share)	1,585,183	1,665,122	1,796,723
Field Operations and LAE (fed share)	4,520,099	4,886,216	5,318,353
Transfer to Department of Public Health	100,000	0	0
Carry Forward for Federal Fiscal Year	0	500,000	500,000
Total Expenditures	<u>\$ 125,712,628</u>	<u>\$ 126,947,361</u>	<u>\$ 129,893,378</u>
Surplus / (NEED)	<u>\$ 4,520,804</u>	<u>\$ 9,681,452</u>	<u>\$ 2,714,631</u>
FY 2017 after FY 2016 Surplus			\$ 12,396,083

Adoption Subsidy Program. [Adoption Subsidy](#) is a financial support provided to families that adopt special needs children. The funds assist families with the cost of raising a child, and costs associated with the needs of the child.

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. There was no rate increase in FY 2016. Caseload numbers have trended upward over the past three fiscal years as new cases exceed the number of cases in which subsidies end. However, 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 \$119,000.
- **Fiscal Year 2017.** The workgroup agreed to an estimated program surplus of \$77,000 using a status quo budget.

A significant change in cases for the month of November 2015 and a higher total cost to fund the program led to an adjusted projected surplus for FY 2016. The current estimated surplus is a decrease of \$32,000 from the [October estimate](#). The workgroup agreed to an estimated state share of expenses for the program of \$42.6 million in FY 2016.



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