



HF 2424 – Child Care Assistance, Graduated Phaseout (LSB5587HVV.1)
 Staff Contact: Kenneth Ohms (515.725.2200) kenneth.ohms@legis.iowa.gov
 Fiscal Note Version – As amended and passed by the House

Description

[House File 2424](#) as amended and passed by the House creates a graduated eligibility phaseout component for the Child Care Assistance (CCA) Program in the Department of Human Services (DHS).

The Bill as amended would provide that if families were previously eligible for the CCA Program, they would be eligible for a graduated eligibility phaseout program under the following conditions:

- Their income is above 225.0% of the federal poverty level (FPL) but less than 250.0% FPL for basic care.
- Their income is above 225.0% FPL but less than 275.0% FPL for special needs care.

Families in the income ranges specified for their service care needs will be responsible for the following share of the cost of child care based on the cost of care currently reimbursed by the DHS.

| Family's Share of Cost of Care | Basic Care | | Special Needs Care |
|---------------------------------------|-------------------|------------------|---------------------------|
| | 33.0% | 45.0% | 60.0% |
| | 225.1% to 234.9% | 235.0% to 244.9% | 245.0% to 250.0% |
| | | | 225.1% to 244.9% |
| | | | 245.0% to 264.9% |
| | | | 265.0% to 275.0% |

The Graduated Phaseout Program is required to be implemented no later than FY 2022.

Background

The table below presents the FPL by family size and calculated percentages of FPL for FY 2020.

Federal Poverty Levels (FPL)

| Family Size | 100.0% | 145.0% | 225.0% | 250.0% | 275.0% |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Family of 2 | \$ 17,240 | \$ 24,998 | \$ 38,790 | \$ 43,100 | \$ 47,410 |
| Family of 3 | 21,720 | 31,494 | 48,870 | 54,300 | 59,730 |
| Family of 4 | 26,200 | 37,990 | 58,950 | 65,500 | 72,050 |
| Family of 5 | 30,680 | 44,486 | 69,030 | 76,700 | 84,370 |
| Family of 6 | 35,160 | 50,982 | 79,110 | 87,900 | 96,690 |

Iowa's Child Care Assistance Program currently has two main components: the CCA Program and the CCA Plus Program. Eligibility for the CCA Program is limited to families with income no more than 145.0% FPL and is limited to a 12-month eligibility segment. The CCA Plus Program has a 12-month eligibility segment and an income limit of above 145.0% FPL up to 85.0% of the State median income (approximately \$49,800).

Final federal rules relating to the CCA Plus Program require that there be no time limit for eligibility, only an income limitation. The DHS Notice of Intended Action [ARC 4937C](#) brings the CCA Plus Program into federal conformity, covering families with an income not to exceed 225.0% FPL for an indefinite period of time for basic care and special needs care under the current copayment structure.

Currently, a copayment for services is required if a family's income is at or above 100.0% FPL. The copayment scale starts at 1.0% of family income and increases up to 7.0% of family income. The DHS utilizes a provider billing portal for the CCA Program for payment of services and determination of copayment amounts.

Assumptions

- The rulemaking proposed in ARC 4937C will be adopted and filed with an effective date no later than July 1, 2020 (FY 2021).
- A significantly new copayment schedule based on the rate that providers charge cannot be implemented until programming changes to the provider billing portal are completed.
- Programming changes will require 2,000 hours of programming time, plus part-time work from the DHS Bureau of Project Management. This will push the launch of the Graduated Phaseout Program into FY 2022.
- An estimated 120 children will be eligible for the CCA phaseout program in FY 2022, and the same number will become eligible each year thereafter.
- The current average cost of care for a child in the CCA Plus Program is \$4,150 per year.
- The exact point where eligible families will fall on the cost share table is unknown. The cost of care will also be dependent on the reimbursement rate of the child care provider type selected by the family. The estimate assumes that families will be responsible for 40.0% of the current average cost per child.

Fiscal Impact

Programming and project management costs for the provider billing portal in FY 2021 are estimated at \$252,000. The following table outlines program cost increases by fiscal year after the programming changes are completed in FY 2021.

| | IT Programming | Graduated Phaseout |
|---------|-----------------------|-------------------------------|
| FY 2021 | \$ 252,000 | \$ 0 |
| FY 2022 | 0 | 300,000 |
| FY 2023 | 0 | 600,000 |
| FY 2024 | 0 | 900,000 |
| FY 2025 | 0 | 1,200,000 |

Sources

Department of Human Services
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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