



[HF 302](#) – Child Care Assistance Off-Ramp (LSB1130HV.1)
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 Fiscal Note Version – Final Action

Description

[House File 302](#) creates a graduated eligibility phaseout component for the Child Care Assistance (CCA) Program in the Department of Human Services (DHS).

The Bill 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 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.

Table 1: Graduated Phaseout Rates

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

The Graduated Phaseout Program is required to be implemented no later than July 1, 2022.

Background

The table below presents the FPL by family size and calculated percentages of FPL for FY 2021.

Table 2: Federal Poverty Levels (FPL)

| Family Size | 100.0% | 145.0% | 225.0% | 250.0% | 275.0% |
|-------------|-----------|-----------|-----------|-----------|-----------|
| Family of 2 | \$ 17,420 | \$ 25,259 | \$ 39,195 | \$ 43,550 | \$ 47,905 |
| Family of 3 | 21,960 | 31,842 | 49,410 | 54,900 | 60,390 |
| Family of 4 | 26,500 | 38,425 | 59,625 | 66,250 | 72,875 |
| Family of 5 | 31,040 | 45,008 | 69,840 | 77,600 | 85,360 |
| Family of 6 | 35,580 | 51,591 | 80,055 | 88,950 | 97,845 |

Iowa's CCA 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 more than 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 conformance with federal law, 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 has been [adopted and filed](#) with an effective date of 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 \$4,368 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

The DHS programming and project management costs for the provider billing portal in FY 2021 are estimated at \$312,000. The following table outlines program cost increases by fiscal year after the programming changes are completed in FY 2021.

Table 3: Program Cost by Year

| | <u>IT Programming</u> | <u>Graduated Phaseout</u> |
|---------|-----------------------|---------------------------|
| FY 2021 | \$ 312,000 | \$ 0 |
| FY 2022 | 0 | 201,000 |
| FY 2023 | 0 | 572,000 |
| FY 2024 | 0 | 943,000 |
| FY 2025 | 0 | 1,314,000 |

The current projected balance for the Federal Child Care Development Fund is \$47.8 million for the end of FY 2021. Based on current DHS estimated revenues and expenditures for child care, the Department anticipates a sufficient projected balance of federal funds to be carried forward at the end of FY 2021 and FY 2022 so as not to require an increase from the General Fund appropriation in FY 2022 or FY 2023 for the rate increase proposed under the Bill. Current estimates indicate that federal funds would be fully expended in FY 2024, and an appropriation would be required to fully fund the program beginning in FY 2024.

Sources

Department of Human Services
U.S. Department of Health and 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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