



SF 2251 – Child Care Assistance (LSB 5723SV.1)

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Fiscal Note Version – As passed by the Senate

Description

Senate File 2251 requires a report and amends three aspects of current program application, rules, and eligibility requirements:

- This Bill extends eligibility to parents that are both employed part time and participating in academic or vocational training part time for a combination of at least 28 hours a week. Currently, parents may only do one or the other to be considered eligible.
- This Bill requires parents to renew their application for services at 12 months instead of every six months.
- This Bill requires the Department of Human Services (DHS) to review the program application form and identify simplified processes, unneeded or redundant requirements, and improved wording revisions. The DHS will report the results of the review to the Governor and the General Assembly by December 1, 2014.
- This Bill requires the DHS to implement program application process enhancements to assist applications with greater access to remote application.

Background

Child Care Assistance (CCA) helps pay for the care of a child while the parent or caretaker works or attends school. The CCA Program is available to the children of eligible parents with income at or below 145.0% of the Federal Poverty Level and are absent for a portion of the day due to employment on an average of 28 hours a week, or full-time participation in academic or vocational training, or PROMISE JOBS activities. The CCA may also be available for a limited period of time to the children of a parent looking for employment or when the parent is unable to care for a child due to hospitalization or outpatient treatment for physical or mental illness.

Parents apply for six months of service at a time, but services are not capped after this period. After the first six-month period, parents are required to reapply to allow the DHS to review and then renew another six months if the parents are eligible to continue services. If income, employment status, work hours, address, class schedule, members of the household, or a provider changes at any point and the parents do not meet the CCA eligibility requirements, the parents are required to notify the DHS within 10 days and will not continue to receive services. If a parent fails to do this and receives CCA benefits in error they must pay back those benefits.

To receive services, a parent must fill out an application form. If they have access to a printer, the parent can print an application form from the DHS website and return it to the DHS office in the county the services will be received.

Assumptions

Eligibility: Many families currently receiving CCA benefits meet one of the CCA eligibility requirements, and are not being reimbursed for others despite participation. For example, a

parent employed for 28 hours or more during the week and also attending a training program for five hours a week will only be eligible to receive CCA benefits for the employment hours, not the training program hours.

It is unknown how many currently enrolled families will be eligible for additional CCA benefits due to the revised eligibility requirements. An average of 2,087 families are denied CCA benefits each month. PROMISE JOBS data indicates that 5.0% of families currently enrolled in its program meet a combination of employment and training/education hour eligibility requirements. Therefore, when this percentage is applied to the CCA Program average number of families denied CCA benefits a month, an estimated 104 new families will be eligible for CCA benefits a month due to the eligibility requirements changed by the Bill. When this percentage is applied to the number of current families enrolled in a month, an estimated 536 families will be eligible for additional CCA benefits a month due to the eligibility requirements changed by the Bill. Since these current families are already receiving a level of benefits before the Bill eligibility requirement change, the amount of additional benefits received is adjusted to reflect a prorated amount.

Redetermination Policy: The federal Child Care and Development Block Grant Act that supplies CCA funding to Iowa does not prescribe a specific eligibility period for families receiving funded child care, nor does the Act address the frequency of, or need for, redetermining eligibility once it is established. Pending federal regulations may require an application review requirement of every 12 months. It is estimated these changes could be released mid-2014 and could contain conflicting federal requirements.

Many states (22) currently review application and eligibility for CCA services every 12 months instead of every six months. A 2008 Colorado State Auditor report found that six-month redetermination and family reporting requirements were costly to administer and burdensome on participants in the subsidy system. A Washington State analysis on the impact savings of implementing a 12-month redetermination policy found that there was no increase in program costs or reduced Program costs per family and per child.

In the State of Iowa, families must report income, employment status, work hours, address, class schedule, members of the household, or provider changes at any point while receiving CCA benefits within 10 days of the change. The DHS reviews the changes upon the report. If the parent is found to no longer meet the CCA eligibility requirements, the parents will not continue to receive services. If a parent fails to report changes and it results in the receipt of CCA benefits in error then they must pay back those benefits to the DHS.

Thus, due to current law, it is assumed that families will comply with current law and will no longer receive services if they become ineligible during the 12-month service period. If the family does not comply with current law, it is assumed the DHS will recover the CCA benefit payments made in error. The review and audit of such cases to recover erroneous payments has the potential to be administratively demanding. Therefore, any administrative savings assumed due to reviewing cases every 12 months instead of every six months is expected to be minimal.

Currently, an average of 1,785 CCA Program families receive a six-month review every month. Of these families, 10.0% fail to return their renewal application by the deadline. The DHS has stated that most of these families would still be considered eligible if they reapplied. These families typically do reapply and when this happens they are quickly reenrolled. This practice results in payment interruptions. Therefore, it is assumed this application situation would no longer relevant do to the Bill's redetermination policy. Consequently, of the families currently reviewed each month, an average of 30.0%, or an estimated 536 families, are denied services because they are no longer eligible for benefits. These families account for an estimated 5.0%

of the average monthly families receiving CCA benefits. Therefore, for this estimate, it is assumed that 70.0% of the yearly total of families denied benefits at the six-month point will not self-report changes that could result in erroneous payments for a portion of the second sixmonths of the 12-month period they receive benefits. It is also assumed that the DHS will be unable to recover 40.0% of these fraudulent payments.

Remote Application: Based on previous Department of Public Health (DPH) computer and mobile applications, developing and implementing enhanced remote Program application changes will cost \$50,000.

Kindertrack: The DHS estimates that software changes to the Kindertrack system used to administer the Program, track families, and manage CCA payments will cost \$238,000 in FY 2015.

Fiscal Impact

Senate File 2251 is estimated to result in additional cost to the General Fund of \$4.3 million for FY 2015 million and \$4.0 for FY 2016 as outlined below.

	FY 2015	FY 2016
Extended eligibility	\$2,730,504	\$2,730,504
Six-to-12 month review process	\$1,285,183	\$1,285,183
Kindertrack upgrades	\$238,000	N/A
Remote application enhancement	\$50,000	N/A
TOTAL	\$4,303,686	\$4,015,686

Sources

- Department of Human Services
- Department of Public Health
- U.S. Department of Health and Human Services Administration for Children and Families
- National Council of State Legislatures
- “Impacts of HB 3141 on the Working Connections Child Care Program,” August 2011, Social and Economic Sciences Research Center, Washington State University
- “Report to the State Auditor: Colorado Child Care Assistance Program Department of Human Services,” November 2008, Office of the State Auditor
- The Urban Institute

/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.
