

# **Child Care Assistance, Eligibility Bill House File 707**

Last Action:

**Final Action**

May 3, 2023

**An Act relating to State child care assistance eligibility requirements and child care provider reimbursement rates.**

**Fiscal Services Division  
Legislative Services Agency**

## **NOTES ON BILLS AND AMENDMENTS (NOBA)**

Available online at [www.legis.iowa.gov/publications/information/appropriationBillAnalysis](http://www.legis.iowa.gov/publications/information/appropriationBillAnalysis)

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# EXECUTIVE SUMMARY

## CHILD CARE ASSISTANCE, ELIGIBILITY BILL

### FUNDING SUMMARY

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House File 707 increases income eligibility limits for families with children from 145.0% of the federal poverty level (FPL) to 160.0% of the FPL. The Bill also increases child care provider reimbursement rates to between the 65th percentile and the 80th percentile of the 2020 Market Rate Survey.

**Assumptions:** The eligibility expansion will increase the average monthly enrollment by 2,656 from 17,680 children to 20,336 children. The current average cost per child is \$413 per month. The reimbursement increase will increase the monthly cost per child by \$51 to \$464 per month.

**Fiscal Impact:** The combined fiscal impact of these program changes, along with an additional \$63,000 in costs for 1.0 additional full-time equivalent (FTE) position and support costs, is estimated to be approximately \$25.7 million annually. The Child Care Development Fund, which funds child care provider reimbursements, currently has an estimated surplus of \$107.8 million. The Department of Health and Human Services (HHS) states that the fiscal impact of these changes can be absorbed by the surplus and an increased appropriation is not be required at this time.

### MAJOR INCREASES/DECREASES/TRANSFERS OF EXISTING PROGRAMS

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Directs the HHS to amend its administrative rules to increase half-day reimbursement rates paid to child care providers to at least the 65th percentile but no more than the 80th percentile of the 2020 Market Rate Survey.

Page 4, Line 4

### SIGNIFICANT CODE CHANGES

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Establishes minimum employment hour requirements for parents of children who qualify for assistance under Iowa Code section [237A.13](#).

Page 2, Line 21

Establishes income requirements for initial eligibility for State child care assistance (CCA) at 160.0% of the FPL for a family with children needing basic care, 200.0% of the FPL for a family with children needing special needs care, or 85.0% of the State median gross monthly income.

Page 2, Line 30

Restricts the HHS from modifying reimbursement rates or eligibility requirements for the CCA Program without enabling legislation passed on or after January 1, 2023.

Page 3, Line 8

Modifies eligibility requirements for the CCA Program wait list by increasing minimum hours of employment or participation in an approved training or educational program from 28 hours per week to 32 hours per week. The Bill also increases income limits from 145.0% of the FPL to 160.0% of the FPL.

Page 3, Line 22

House File 707 provides for the following changes to the Code of Iowa.

<b>Page #</b>	<b>Line #</b>	<b>Bill Section</b>	<b>Action</b>	<b>Code Section</b>
2	1	1	Add	237A.1.7A
2	21	2	Amend	237A.13.1.c
2	30	3	Add	237A.13.1A
3	8	4	Amend	237A.13.3
3	22	5	Amend	237A.13.8.a,c

2 1 Section 1. Section 237A.1, Code 2023, is amended by adding  
 2 2 the following new subsection:  
 2 3 NEW SUBSECTION 7A. "Children needing special needs care"  
 2 4 or "special needs child" means a child or children with one or  
 2 5 more of the following conditions:  
 2 6 a. The child has been diagnosed by a physician or by a  
 2 7 person endorsed for service as a school psychologist by the  
 2 8 department of education to have a developmental disability  
 2 9 which substantially limits one or more major life activities,  
 2 10 and the child requires professional treatment, assistance in  
 2 11 self-care, or the purchase of special adaptive equipment.  
 2 12 b. The child has been determined by a qualified intellectual  
 2 13 disability professional to have a condition which impairs the  
 2 14 child's intellectual and social functioning.  
 2 15 c. The child has been diagnosed by a mental health  
 2 16 professional to have a behavioral or emotional disorder  
 2 17 characterized by situationally inappropriate behavior which  
 2 18 deviates substantially from behavior appropriate to the  
 2 19 child's age, or which significantly interferes with the child's  
 2 20 intellectual, social, or personal development.

Adds a definition for "children needing special needs care" or "special needs child" to the listed definitions within Iowa Code section [237A.1](#).

2 21 Sec. 2. Section 237A.13, subsection 1, paragraph c, Code  
 2 22 2023, is amended to read as follows:  
 2 23 c. The child's parent, guardian, or custodian is employed  
 2 24 and the family income meets income requirements a minimum of  
 2 25 thirty-two hours per week or an average of thirty-two hours  
 2 26 per week during the month if the child requires basic care,  
 2 27 or twenty-eight hours per week or an average of twenty-eight  
 2 28 hours per week during the month if the child is a special needs  
 2 29 child.

Establishes minimum employment hour requirements for parents of children who qualify for assistance under Iowa Code section [237A.13](#).

DETAIL: The minimum employment hours are 32 hours per week for a parent of a child requiring basic care and 28 hours per week for the parent of a special needs child.

2 30 Sec. 3. Section 237A.13, Code 2023, is amended by adding the  
 2 31 following new subsection:  
 2 32 NEW SUBSECTION 1A. A family shall only be initially  
 2 33 eligible for state child care assistance if the family's gross  
 2 34 monthly income does not exceed the lesser of:  
 2 35 a. (1) One hundred sixty percent of the federal poverty  
 3 1 level applicable to the family size for children needing basic  
 3 2 care.  
 3 3 (2) Two hundred percent of the federal poverty level

Establishes income requirements for initial eligibility for State child care assistance (CCA) at 160.0% of the federal poverty level (FPL) for a family with children needing basic care, 200.0% of the FPL for a family with children needing special needs care, or 85.0% of the State median gross monthly income.

DETAIL: The current average monthly CCA Program enrollment is approximately 17,680 children. This change is expected to increase enrollment in the CCA Program by 2,656 children for a new total of 20,336 children. At the current reimbursement rate, this enrollment

3 4 applicable to the family size for children needing special  
 3 5 needs care.  
 3 6 b. Eighty-five percent of the state median gross monthly  
 3 7 income.

expansion is expected to increase Program costs by \$13,158,993. The Department of Health and Human Services (HHS) also anticipates requiring 1.00 additional full-time equivalent (FTE) position to manage the increased caseload at a cost of \$61,132 per year.

3 8 Sec. 4. Section 237A.13, subsection 3, Code 2023, is amended  
 3 9 to read as follows:

Restricts the HHS from modifying reimbursement rates or eligibility requirements for the CCA Program without enabling legislation passed on or after January 1, 2023.

3 10 3. a. The department shall set reimbursement rates as  
 3 11 authorized by appropriations enacted for payment of the  
 3 12 reimbursements. The department shall conduct a statewide  
 3 13 reimbursement rate survey to compile information on each county  
 3 14 and the survey shall be conducted at least every two years.  
 3 15 The department shall set rates in a manner so as to provide  
 3 16 incentives for an unregistered provider to become registered.  
 3 17 b. The department shall not modify reimbursement rates  
 3 18 to the state child care assistance program or financial  
 3 19 eligibility requirements for a family participating in the  
 3 20 state child care assistance program without prior enabling  
 3 21 legislation in this state passed on or after January 1, 2023.

3 22 Sec. 5. Section 237A.13, subsection 8, paragraphs a and c,  
 3 23 Code 2023, are amended to read as follows:

Modifies eligibility requirements for the CCA Program wait list by increasing minimum hours of employment or participation in an approved training or educational program from 28 hours per week to 32 hours per week. The Bill also increases income limits from 145.0% of the FPL to 160.0% of the FPL.

3 24 a. Families with an income at or below one hundred percent  
 3 25 of the federal poverty level whose members, for at least  
 3 26 ~~twenty-eight~~ thirty-two hours per week in the aggregate, are  
 3 27 employed or are participating at a satisfactory level in an  
 3 28 approved training program or educational program, and parents  
 3 29 with a family income at or below one hundred percent of the  
 3 30 federal poverty level who are under the age of twenty-one years  
 3 31 and are participating in an educational program leading to a  
 3 32 high school diploma or the equivalent.

3 33 c. Families with an income of more than one hundred percent  
 3 34 but not more than one hundred ~~forty-fivesixty~~ percent of the  
 3 35 federal poverty level whose members, for at least ~~twenty-eight~~  
 4 1 thirty-two hours per week in the aggregate, are employed or are  
 4 2 participating at a satisfactory level in an approved training  
 4 3 program or educational program.

4 4 Sec. 6. DEPARTMENT OF HEALTH AND HUMAN SERVICES ———  
 4 5 INCREASED STATE CHILD CARE ASSISTANCE REIMBURSEMENT RATES. The  
 4 6 department of health and human services shall amend its

Directs the HHS to amend its administrative rules to increase half-day reimbursement rates paid to child care providers to at least the 65th percentile but no more than the 80th percentile of the 2020 Market

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4 7 administrative rules pursuant to chapter 17A to increase the  
4 8 half-day reimbursement rates paid to child care providers  
4 9 reimbursed under the state child care assistance program to at  
4 10 least the sixty-fifth percentile but no more than the eightieth  
4 11 percentile of the 2020 market rate survey.

Rate Survey.

DETAIL: The current average cost per child is \$413 per month. This Section will increase the monthly cost per child by \$51 for a total of \$464 per month. This would increase annual CCA Program costs by \$10,888,051.

FISCAL IMPACT: The combination of the increased eligibility and the increased reimbursement rates account for an additional \$1,635,671 in Program costs for a combined total increase of \$25,682,715 annually.