

Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 441—Chapter 122
“Fiscal Oversight of the Early Childhood Iowa Initiative”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 256I
State or federal law(s) implemented by the rulemaking: Iowa Code chapter 256I

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

November 28, 2023
10 a.m.

meet.google.com/nkg-jzin-yyp

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis. Written or oral comments in response to this Regulatory Analysis must be received by the Department of Health and Human Services (HHS) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Purpose and Summary

Proposed Chapter 122 sets forth oversight measures of HHS in relation to the Early Childhood Iowa area boards to ensure sound fiscal management of Early Childhood Iowa funds. HHS reviews internal controls managing disbursement of funding, approves and signs agreements between the area boards and the State, requires a regular audit of funds managed by each area board, and ensures area boards have liability insurance and a contract monitoring schedule for their funded programs.

Sound fiscal oversight of Early Childhood Iowa area boards works to ensure these boards operate optimally, allowing boards to successfully improve efficiency and effectiveness of early care services provided to families.

Analysis of Impact

1. Persons affected by the proposed rulemaking:
 - Classes of persons that will bear the costs of the proposed rulemaking:
Early Childhood Iowa area boards will bear the costs.
 - Classes of persons that will benefit from the proposed rulemaking:
Parents accessing early care services supported by an Early Childhood Iowa area board, communities utilizing an Early Childhood Iowa board to improve the efficiency and effectiveness of early care services provided to families, and children served by such early care services will benefit.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:
 - Quantitative description of impact:
Figures below are actuals incurred in the fiscal years shown.

Identified Impacts*

	SFY 2023	SFY 2024	SFY 2025	Three-Year Total
Costs				
State Agency Implementation	\$371,000	\$376,000	\$417,000	\$1,164,000
Area Board Audits	\$14,000	\$22,000	\$15,000	\$51,000
Benefits				
Increased Public Trust	Intangible	Intangible	Intangible	Intangible
Improved Early Care Services	Qualitative	Qualitative	Qualitative	Qualitative
Net Value	-\$385,000	-\$398,000	-\$432,000	-\$1,215,000

*All monetary figures have been rounded to the nearest thousand.

- Qualitative description of impact:

State agency team members provide ongoing technical assistance and oversight of each local board’s operating procedures, the local board’s contract audits, community needs assessment reviews and local designation meetings, and reviews of reports submitted within iowagrants.gov.

Local boards operate under sound fiscal policies, using programmatic data metrics aligned with their local investments, and pay for an annual official audit by a firm of their choice.

Early Childhood Iowa area boards must comply with fiscal oversight measures by reporting in IowaGrants via a midyear financial report, budget, and annual report with fiscal verification from their fiscal agent, including conducting regular financial audits of funds managed by the board.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:

HHS incurs personnel costs for team members to provide fiscal oversight of Early Childhood Iowa area boards; prior to FY 2024, these team members reported to the Department of Management. Costs to the state agency have included a range of 2.5 full-time equivalent (FTE) positions to 2.25 FTE positions, travel, and office space expenses across the fiscal years shown. These costs are reflected in the table above, labeled as “State Agency Implementation.”

- Anticipated effect on state revenues:

No impact was identified.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

The cost-benefit analysis above shows a known three-year total net value of -\$1,215,000, averaging \$405,000 per year, to oversee improved early care services in those areas covered by an Early Childhood Iowa area board. Eliminating fiscal oversight measures as defined in this chapter may diminish the quality of operations of area boards, thus impacting the area board’s ability to improve early care services to the same degree the board might when operating under sound fiscal practices. An area board using funds fraudulently or in contradiction to the requirements of the Iowa Code may diminish public trust in the Early Childhood Iowa program and HHS.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

A less costly method has not been identified to achieve the purpose of this chapter.

6. Alternative methods considered by the agency:

- Description of any alternative methods that were seriously considered by the agency:

HHS implements fiscal oversight of the Early Childhood Iowa area boards in accordance with requirements of the Iowa Code. This chapter does not ascribe department duties or implementation elements in addition to those directly defined in the Iowa Code.

- Reasons why alternative methods were rejected in favor of the proposed rulemaking:
Not applicable.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Not applicable.

Text of Proposed Rulemaking

ITEM 1. Rescind 441—Chapter 122 and adopt the following **new** chapter in lieu thereof:

CHAPTER 122 FISCAL OVERSIGHT OF THE EARLY CHILDHOOD IOWA INITIATIVE

441—122.1(256I) Definitions. For the purpose of these rules, the following definitions apply:

“*Agreement*” means a contract between the area boards, state board, department, and state agencies to which funding is allocated.

“*Audit*” means a financial review by area boards of early childhood Iowa funds. Area boards that receive federal funds shall complete an audit of the funds. The audit must be a single audit if the area board received a total of federal funds from all funding sources in excess of the threshold defined in 2 CFR 200.501(b) as amended to December 31, 2023. Area boards that are not required to conduct a single audit under 2 CFR 200.501(b) as amended to December 31, 2023, may coordinate with the fiscal agent to conduct the required audit. The audit requirements shall be found in the online toolkit available on the department website.

“*Early childhood Iowa area board*” or “*area board*” means the same as defined in Iowa Code section 256I.1.

“*Early childhood Iowa state board*” or “*state board*” means the same as defined in Iowa Code section 256I.1.

441—122.2(256I) Fiscal oversight.

122.2(1) In consultation with the state board, the department has adopted policies to oversee the fiscal responsibilities of area boards.

122.2(2) The department will:

- a. Review the internal controls of all disbursements of early childhood Iowa funding;
- b. Approve the process for issuing agreements with area boards;

- c.* Approve and sign all agreements between the area boards and the state for the purposes of Iowa Code chapter 256I;
 - d.* Develop a policy for the disbursement of funds;
 - e.* Require an audit, conducted by an independent agency, of the early childhood Iowa funds managed by area boards. The minimum requirements and frequency of audits for the area boards shall be determined and approved by the state board;
 - f.* Ensure that all area boards secure liability insurance;
 - g.* Require that area boards submit a contract-monitoring schedule for their funded programs.
- These rules are intended to implement Iowa Code sections 256I.1 through 256I.12.