

Early Childhood Iowa Funding Tool G

Approved by the ECI State Board on May 1, 2026

General Information

Early Childhood Iowa's Board receives funding called Allocated State Funds. This tool provides general information on the parameters and limitations of these funds. The tool provides information that applies to allocated state funding.

ECI – Early Childhood Iowa State Board

ECIA – Early Childhood Iowa Area Board (as designated)

Iowa HHS – Iowa Health and Human Services

ECIA Director – Role to match the P&P Manual

Purpose of Funds

Funding is used to improve outcomes prenatally through age five and support the families of these children. This is administered by Early Childhood Iowa Area Boards who address needs through programs, services and systems collaboration. ECIA's are to use these funds to improve the quality of:

- Healthy Children
- Children Ready to Succeed in School
- Safe and Supportive Communities
- Secure and Nurturing Families
- Secure and Nurturing Early Learning Environments

ECIA's are required to utilize funds to support evidence-based quality practices and services, as well as programs that demonstrate positive outcomes for children. Programs must establish, document, and report expected performance measures ensuring alignment with:

- Local community plans
- Identified priorities within the ECI Area

All funded services should clearly demonstrate how they contribute to improved outcomes for children and families and reflect the strategic goals of the ECIA Board.

Source of Funds

The Iowa legislature appropriates state funds for allocated state funding through the Iowa Department of Health and Human Services Division of Family Well-Being & Protection, Early Intervention & Support

Developing a Budget

Upon receipt of allocation amounts for the upcoming fiscal year, each ECI Area Board shall develop and submit a budget through IowaGrants.gov no later than June 1. The submitted budget must include:

- The allocation amount for the new fiscal year
- The estimated carryforward balance from the current fiscal year
- Any interest earned on ECI funds

All budget components must be accurate, clearly documented, and aligned with Board approved priorities and allowable use of funds. Budgets will strive to be initially reviewed and negotiated or approved by no later than June 15th, unless documented extenuating circumstances necessitate additional time and are approved by the ECI State Board.

Distribution of Funds

The funding formula for disbursing allocated state funds was established by the Early Childhood Iowa State Board on April 10, 2026. FY27 will utilize the FY26 funding formula amounts allocated to ECI areas, moving the \$102,419 from Community Planning Collaboration to Program Discretionary while maintaining the 15% cap.

Funding Formula

- 33% based on the number of children aged 0-5 living at or below 185% of the federal poverty level
- 33% based on the total number of children ages 0-5
- 34% based on the percentage of children aged 0-5 with three or more risk factors at birth (source: <https://iadatadrive.i2d2.iastate.edu/>) including:
 - Poverty
 - Low birth weight
 - Parenting alone (single parent)
 - Low maternal education
 - Inadequate prenatal care
 - Teen mother

- Tobacco used during pregnancy
- Preterm birth

Iowa HHS reviews and approves the proposed local budgets. Once approved, Iowa HHS issues a contract for the approved funding amounts to each ECIA Board. Each ECIA Board then issues contracts to local service providers that align with the approved funds and local priorities, also in alignment with State Board approved [Tool O](#).

Use of Funds

This guidance aligns with the funding formula and outlines how ECIA Boards may allocate and use state funds. It reflects the structure and intent of Tool G and its integration with related tools and processes.

- Gift cards are not permitted for any ECI funds.
- If a service or good is purchased on behalf of a family/client, the service or good must be issued to the providing program/entity and not directly to the family/client.

Property and Equipment

The ECI State Board prohibits the use of ECI funds to purchase real property subject to taxation, including land and buildings. ECI funds are intended to support programs and services that directly benefit children and families, rather than long-term capital investments. This policy was adopted on October 9, 1999. Examples:

- Buildings (offices, centers, classrooms, homes)
- Child Care Centers or Preschool Facilities
- Permanent structures (garages, sheds, barns)
- Additions or expansions to buildings
- Parking lots or driveways
- Fences permanently installed in the ground
- Playgrounds or large outdoor structures that are permanently installed
- HVAC systems, plumbing, or electrical systems build into a structure

Cost Assignment Considerations

When assigning costs among ECI funding sources, ensure that:

- **Reasonable:** The cost is customary and prudent for an average individual
- **Allowable:** the expense is appropriate and permissible under the funding source's guidelines.
- **Allocable:** Each funding source pays a fair share of the cost, based on the relative benefits received.

Distribution of Funding

Administrative 5%

HHS will distribute fiscal year allocations and indicate up to 5% of the allocation amounts for administrative expenses. Examples of expenses that can only be paid out of administrative funds include:

- Fiscal Agent Fees
- Employer of Record Fee
- Audit Fees
- Board and Operational needs e.g. cost of doing business ex. (rent, internet, office supplies, phones, marketing, website, etc.)
- Local Board Liability Insurance
- Tool O Services

Home Visitation

Home Visitation funding for FY27 must be planned and implemented in alignment with the Operations Manual. This category is reserved specifically for evidence-based home visitation services or Iowa Family Support Credentialed (IFSC) Home Visiting and will be calculated on a county level basis within the ECIA geography. Funds may be used across those counties to adjust to future geographies as needed. See [Tool FF](#) and [Operations Manual](#) for more information regarding home visitation.

- Parents as Teachers (PAT) - Evidence Based
- Healthy Families America (HFA) - Evidence Based
- Iowa Family Support Credential (IFSC)
- Early HeadStart – Evidence Based (home visitation components for 0-3 aged population)
- Nurse Family Partnership – Evidence Based

Program Discretionary

Reference [Tool O](#)

Flexible Use of Unused Funds

If Administrative funds remain unspent, they may be reallocated and applied toward:

- Program Discretionary
- Home Visitation

All previous fiscal year funds **MUST be spent before utilizing current fiscal year funds.

- FY26 carry-forward funds:
 - 20% max carry-forward allowed for Early Childhood Iowa State allocated funds in FY26
 - In FY27, the FY26 carry-forward amounts can be used towards any of the categories aligned with Tool G (Administrative 5%, Home Visitation, and Program Discretionary).

Programs, Services, and Activities Funded by ECIA Boards

Preschool Programming Support for At-Risk Families (256I.11)

Available discretionary state funds allocated to ECIA may be used to help families whose income is beyond the Child Care Assistance (CCA) approved rate. The range beyond CCA eligibility is between 161%- 200% of the federal poverty guidelines. It is required that CCA is utilized for eligible families and discretionary state funds may not support scholarships for families with an approved CCA application. State discretionary funds may not be used for Statewide Voluntary Preschool Program (SWVPP) eligible children during the SWVPP portion of a day ([Iowa Code chapter 256C](#)). State discretionary funds may not be used for Early Head Start or Head Start portions of the day. Extended Early Head Start or Head Start time should prioritize CCA. If discretionary funds are requested from Early Head Start or Head Start a denied CCA application will be required. In addition, if sufficient funding is available after addressing the needs of those who meet the basic income eligibility requirement, an early childhood Iowa area board may provide for eligibility for those with a family income in excess of the basic income eligibility requirement through use of a sliding scale or other copayment provisions (Iowa Code 256I.11.2) Sliding scales may be provided for families between 201%-300%. If a sliding scale is applied, the ECIA shall have a policy with their ECIA Board approved sliding scale rates.

- Families should apply for CCA or use the Parent or ECI Board Attestation Form to verify eligibility, regardless of if their program of choice accepts CCA. ECIA scholarships may not supplant or replace the CCA funded

allocation assigned per family. ECI funds may be used to cover the difference between a program's tuition rate and the CCA reimbursement rate.

- A child's age will be determined based on their age as of September 15 of the year.

Supplanting

Early Childhood Iowa Area boards must ensure that ECI funds do not supplant (replace) existing programs, services, or activities funded by other state or federal sources.

- For Preschool Scholarships, boards must maintain documentation demonstrating that families were denied Child Care Assistance or other eligible funding, inclusive of the Parent or ECI Board Attestation Form before ECI funds are used.
- ECI funds cannot be used for time otherwise covered by another funding stream. For example, Statewide Voluntary Preschool Program (SWVPP) time cannot also be funded by an ECIA preschool scholarship.

Duplication of Services

Duplication of services occurs when ECI funds are used to support services, activities, or costs that are already funded or reimbursed by another source, resulting in overlapping payment for the same services, population, or purpose. This includes:

- Charging ECIA's for services that are covered by another funding stream (e.g. Medicaid, Head Start, SWVPP, private insurance, or other grants)
- Funding the same services for the same child or family during the same time period through multiple sources
- Paying for costs that are already included in another program's funding structure or contract

ECI funds must supplement, not supplant, existing funding sources and should be used to:

- Fill gaps in services
- Expand access to underserved populations
- Enhance quality or outcomes beyond what other funding sources provide

Cost Objectives

A function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

Direct Costs

Costs that can be identified specifically with a particular final cost objective.

Indirect Costs

Costs incurred for a common or joint purpose benefiting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Boards are responsible for determining allowable indirect costs that providers can charge for program management and administration. For more information use Policy 3.4.2 in Policy and Procedures Section 3.

- If a fidelity bond is required for a program, the cost of the bond does not count toward administrative cost limits.

Reimbursement Rates

If reimbursement for mileage and lodging is provided using a unit rate, the board must clearly define those rates through the contract or ECIA Board policy.

- Current in-state and out-of-state travel reimbursement rates can be found on the Iowa Department of Administrative Services website:
<https://das.iowa.gov/state-accounting/travel-relocation/state-travel>

Human Trafficking Prevention Certification

Beginning January 1, 2022, before using public funds for lodging [Procedure 210.205](#):

- Boards must confirm the provider's current certification in Human Trafficking Prevention Training.
- Verification must be done via: www.stopthiowa.org

Food, Beverage, and Catering Costs for ECIA Board Administration

If ECI funds are used for food, beverage, or catering:

- The expenditure must clearly serve a public purpose.
- Documentation must include:
 - A description of how the expense supports the public purpose
 - A working agenda
 - A signed attendee list, available upon request

Tracking, Monitoring, and Reporting

Per Iowa law, each board must monitor its funded programs, services, and activities.

Requirements include:

- Contract Monitoring Schedule submitted via iowagrants.gov by September 30th each year.
- Recommended development of local policies and procedures for:
 - Outcome tracking
 - Expenditure monitoring
 - General program oversight
- Boards must report on state-required performance measures including:
 - Input
 - Output
 - Quality/Efficiency metrics
 - Outcomes
- Boards may also establish additional performance measures for local use.

Interest Earned on funds

- Interest earned on allocated state funds must be credited appropriately.
- These funds must be used to support programs, services, and activities that align with the designated area ECIA Community Plan.
- Interest cannot be used for administrative expenses.
(Guidance based, [Iowa Code chapter 12](#) and the State Treasurer's requirements)

Monthly Fiscal Tracking Spreadsheet

The ECI TA Team will provide the monthly fiscal tracking spreadsheet for each area. This spreadsheet is based on an accrual accounting basis. The spreadsheets may not be tampered or edited without ECI TA Team approval. Any uncontracted funds must be shown by following the FY27 ECIA Monthly Fiscal Tracking Instructions document to fidelity. TBD funds are considered uncontracted or unallocated funds and should not be accounted for.

Each line in the spreadsheet should correlate with a contract or MOU. Preschool Scholarship contracts may be under one line with the total Preschool Scholarship allocations with ECIA's maintaining internal documentation for individual scholarship tracking. ECI Areas will need to upload their fiscal tracking spreadsheet into Iowa Grants by the 30th of each month, beginning on July 30th. Monthly spreadsheets need to be updated and uploaded into Iowa Grants every consecutive 30 days. If changes are made to

the monthly fiscal tracking spreadsheet those changes will also need to be made in the budget in IowaGrants for the corresponding fiscal year.

Quarterly State Payments

The Iowa Department of Health and Human Services (HHS) issues quarterly payments to the designated ECIA board for each designated area. To receive the **first payment** of the fiscal year, the board must provide the following to the ECI Office (HHS):

1. Electronically signed copy of the HHS issued contract or relevant amendments (signed by the board chair).
2. A board-approved budget submitted via iowagrants.gov (must be approved by HHS).
3. *Best Practice:* Do not enter contracts with providers until the budget is approved.
4. A signed copy of the agreement with the fiscal agent, regardless of the responsible entity providing fiscal agent duties (submitted via iowagrants.gov). Inclusive of mailing addresses and contact information for both the ECIA board and the fiscal agent.
5. Proof of liability insurance for the ECIA board
6. Fully executed contractor contracts and corresponding amendments
7. Fully executed Employer of Record contract
8. Most recent audit documentation
9. Latest Board bylaws and corresponding policy
10. Latest Board policies and procedures and corresponding policy
11. Public link to board agendas and meeting minutes
12. Board's orientation process
13. Board's meeting dates across a 12 – month period
14. Family Support Proof of Model
15. Current fiscal year board member contact list with approval date
16. Current board approved community plan with dates of designation and approval
17. Sample template of scholarship agreement (if applicable)
18. Sample template of Quality Improvement agreement (if applicable)

To receive subsequent quarterly payments, the board must:

- Submit the previous year's Annual Report
 - By August 30, The Performance Report in Qualtrics

- By September 15th the ECIA Board approved ECI Allocations Financial Summary and Board Matrix in IowaGrants.gov
- Contract monitoring schedule submitted in IowaGrants.gov by September 30th
- ECI Monthly fiscal tracking spreadsheet provided by the ECI TA Team by 30th of each month
- Current fiscal year to be determined plans (if applicable) to ECI TA Team by October 30th
- Submit mid-year performance measures data via Qualtrics by February 26th
- Compliance with the FY27 ECI State Board approved designation timeline checklist. Requirements will be uploaded into IowaGrants within the Grant Components.
 - Complete the ECI TA Team provided [Microsoft Form](#) to indicate a request for timeline adjustment considerations due to extenuating circumstances.

Credit Card Policy Guidance

A corporate credit card may provide a method for an ECIA board to pay organizational expenses on a timely basis without undue financial hardship to the ECIA director or other staff of the board. If an ECIA board wants to establish a corporate credit card account for purchases made by the ECIA director and/or other staff, the board should have a corporate credit card policy and procedures in place to protect the board and the public funds. At a minimum, the corporate credit card policy and procedures should address the following areas:

- Identifies the authorized board member that can apply for a credit card
- Identified the authorized board member that can make any changes in the credit card's structure (i.e., credit limit, etc.)
- Identifies authorized board staff that may have a credit card
- Identifies appropriate uses of the credit card
- Allowable purchases (i.e., based on the budget, purchasing policies, etc.)
- Actions prohibited – drawing down cash, purchasing gift cards, 'reloadable' credit cards or debit cards, etc.
- If the cardholder purchases meals, it is an appropriate business expense and unallowable items (alcohol, etc.) as paid for separately (if there is a per diem limit, identify procedures if the meal costs more than the per diem rate)
- Identifies that use of the credit card for personal expenditures is prohibited and describes disciplinary action if personal use of the credit card occurs.
- Identifies supportive documentation required for all purchases and amounts charged (i.e., itemized receipts, meeting agendas/minutes, etc.)

- Identifies the process for reconciling credit card statements with the supportive documentation of all purchases and amounts charged
- Identifies that it is the cardholder’s responsibility to keep the credit card safe and secure and describes procedures in the event that the credit card is lost or stolen
- Include an acknowledgement statement such as: I agree to the above statements and understand that failure to follow these rules could result in disciplinary action, up to and including termination
- Address the recoupment of inappropriate expenditure charged.

Legal and Fiscal Guidelines

Legal References

- [Iowa Code Chapter 256I](#)
- [Iowa Administrative Code Chapters 441.122](#)

Time Limitations for Fund Expenditure

Under Iowa Code 256I.9(4)(e):

- Boards may carry forward up to 20% of their annual allocation into the next fiscal year.
- The ECI State Board approved the use of 20% carry-forward to be used on any approved category of use (program discretionary, home visitation, or 5% administration). This was approved by the ECI State Board on April 10, 2026.
- Any carry-forward exceeding this 20% threshold will result in a reduction in the next year’s allocation equal to the overage.

Financial Review Requirements: Audit and Agreed-Upon Procedures for ECIA Boards

Annual Audits

Boards are required to have an annual audit conducted by a third-party for received state and federal funds.

- If administrative funds are insufficient, Iowa Code permits using state allocations to cover audit costs.

(See Iowa Code 256I.9(2))

Audit Requirements Based on Federal Funding Levels

Full Financial Audits (Over \$500,000 in Federal Funds)

Early Childhood Iowa (ECI) Boards that expend \$500,000 or more in federal funding must undergo a full financial audit. An agreed-upon procedures (AUP) review does not meet this requirement.

The audit must include:

- An evaluation of the board's compliance with applicable laws, regulations, contracts, and grant agreements that may have a direct and material effect on each major federal program.
- A separate opinion on compliance must be included in the audit report.
- The auditor must be informed of these requirements prior to audit initiation.

Additionally, the independent CPA firm must:

- Review the board's principles and standards for allocating both direct and indirect costs related to federal cost-based awards.

Agreed-Upon Procedures (Less Than \$500,000 in Federal Funds)

Boards that spend less than \$500,000 in federal funding may choose either:

- A full audit, or
- Participation in an Agreed-Upon Procedures (AUP) review as part of the fiscal agent's audit.

Note: The AUP method can reduce audit costs, but it requires increased coordination with the fiscal agent.

Agreed-Upon Procedures: Required Steps

For ECIA boards using the AUP method:

1. Initial Coordination
 - Discuss AUP requirements with a responsible official at the fiscal agent.
 - Document the official's name and the content of the discussion
 - Obtain written concurrence from the fiscal agent to conduct the AUP. Governing body action may be necessary.
 - Secure an engagement or estimate letter from the auditing firm, specifying the scope of the AUP and required note disclosures.
 - Confirm billing arrangements.

2. Responsibilities of the ECIA Board and Fiscal Agent

- Close the books within 60 days after the end of the fiscal year.
- Prepare a summary of financial data.
- Clearly document roles, responsibilities, and storage of financial documentation.
- Submit the annual report to the audit firm.
- Ensure all claims meet a public purpose and comply with legislative intent

The ECI Area Board is also responsible for verifying compliance with:

- Early Childhood Iowa requirements (policies and procedures).
- Allocated and received state and federal funding
- Eligibility for Family Support and Preschool Support Programs
- Testing procedures and documentation
- Provide all supporting documentation requested by the auditor.

Key Components of the Agreed-Upon Procedures Review

1) Understanding and Internal Control Evaluation

- a) Review all grants received, including local authorization procedures.
- b) Analyze internal controls; document any weaknesses with comments and recommendations.

2) Financial Verification

- a) Verify the summary of financial data against accounting records.
- b) Receipts - Confirm allocation amounts received from the State of Iowa.
- c) Disbursements - Understand disbursement parameters for:
- d) Early Childhood Iowa funds (Tool G)
- e) Family Support (Tool FF)