

CHILD CARE ASSISTANCE PROGRAM

Historically, Iowa lawmakers and advocates have played an active role in supporting child care. Each legislative session, child care bills are introduced and passed into law. The following policies have historically and recently been of interest.

CHILD CARE ASSISTANCE (CCA) ELIGIBILITY

- ▶ Families can earn up to 145% of the Federal Poverty Level (FPL) and be eligible for the Child Care Assistance (CCA) Program
- ▶ CCA eligibility levels are based on the FPL; FPLs are set based on the number of people in the household
- ▶ A single working parent with two children can make up to \$16.40/hr. and be eligible for the CCA Program
- ▶ Historically, cost estimates for changes in CCA eligibility have been done in 5% increments
- ▶ Estimates to increase CCA eligibility to 150% FPL would cost an additional \$4.2M per year; 155% FPL \$8.7M per year; 160% FPL \$13.2M per year
- ▶ In SFY'20, Iowa expended \$116.1M in state and federal funding to help parents pay for child care costs
- ▶ Iowa increased CCA eligibility from 140% to 145% of the FPL in July 2005
- ▶ Families are responsible for a portion of child care costs using a sliding fee scale based on family income; families under 100% FPL do not have a co-payment fee



Average family on CCA
Single parent family with
two children
(infant and preschooler)

CHILD CARE ASSISTANCE (CCA) PLUS - REDUCING THE “CLIFF EFFECT”

Lawmakers and advocates refer to the ‘child care cliff effect’ when a family is no longer eligible to receive help from public funding to pay for child care and the family must pay 100% of the child care costs.

- ▶ Iowa implemented a graduated phase-out program, called **Child Care Assistance (CCA) Plus**, on July 1, 2016
- ▶ Parent income information is reviewed annually
- ▶ Today, a family’s income can be up to **225% FPL** and be eligible for the CCA Plus Program
- ▶ In SFY’21, an average of **984 families each month** receive help paying for child care through the CCA Plus Program
- ▶ Families are responsible for a portion of child care costs using a sliding fee scale based on family income

THE FACTS

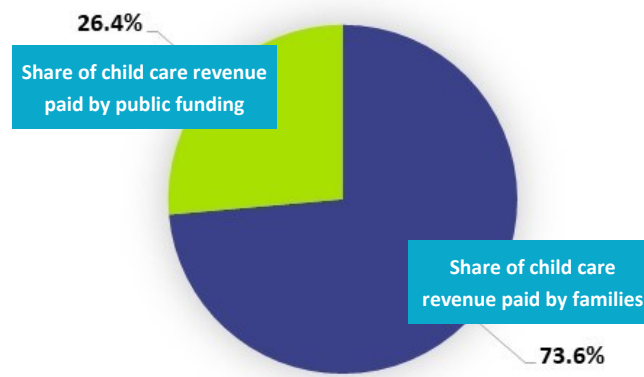
- ▶ Parents can **RECEIVE** periodic pay raises and **REMAIN** on either the CCA or CCA Plus Programs
- ▶ A single working parent with two children can make up to \$25.45/hr. and be on the CCA Plus Program
- ▶ For SFY’21, DHS estimates spending \$7.7M on the CCA Plus Program

- ▶ Iowa House File 302 would raise CCA Plus Program eligibility to 250% FPL (A similar bill, Iowa House File 2203, was introduced in the 2020 Legislative Session); estimates indicate the change would serve an additional 50 families in the first year for a cost of \$545,769

PAYMENT RATES TO CHILD CARE BUSINESSES

- ▶ DHS sets maximum payment rates for child care businesses serving CCA eligible families based on decisions made in the Iowa Legislature
- ▶ Current provider payment rates were implemented January 1, 2019 and are based on the 2017 Market Rate Survey (MRS)
 - ▶ “Base rates” for providers that do not participate in the Iowa Quality Rating System (QRS) are set between the 35th to 60th percentiles
 - ▶ Providers participating in the QRS receive a higher payment rate compared to the “base rates”
 - ▶ Providers rated a QRS Level 5 receive the highest payment rate which is at the 75th percentile of the 2017 MRS
- ▶ Federal law requires states to use the most recent MRS and make progress toward payment rates at the 75th percentile; states not making progress toward the 75th percentile face a fiscal penalty for each year not in compliance
- ▶ DHS anticipates that the Iowa Legislature will direct us to update the provider “base” payment rates to the 50th percentile of the new 2020 MRS (Iowa House File 292). The payment rates for providers rated a QRS Level 5 would then move to the 75th percentile of the 2020 MRS. Estimated cost of provider rate increases is \$13.3M.

Pre-COVID Iowa Child Care Revenue Sources



Source: *Child Care in State Economies: 2019 Update*, Committee for Economic Development of The Conference Board, Annual Revenue in 2016. FY2018 Federal and State child care funding and FY2018 Temporary Assistance for Needy Families funding used for child care expenses.

Julie Allison, Bureau Chief
 State Child Care Administrator
 Iowa Department of Human Services



515-281-6177



515-326-0655



jalliso1@dhs.state.ia.us



www.dhs.iowa.gov