



Tool G Early Childhood Iowa Area Funding effective June 3, 2022

Early Childhood Iowa Areas (ECIAs) receive funding from two different legislative appropriations, Health and Human Services and Education. The funds appropriated from the Health and Human Services appropriation are called “Early Childhood.” The funds appropriated from the Education appropriation are called “School Ready.”

This tool provides general information on the parameters and limitations of these funds. The first section of the tool provides information that applies to both the Early Childhood and School Ready funding streams. The second section provides specific information about each funding stream.

General Information:

Developing a Budget

After receiving the allocation amounts for the new fiscal year, the ECIA board (board) must develop and submit a budget through iowagrants.gov. The budget includes the allocation amount for the new fiscal year and the estimated carry-forward amount for the current fiscal year that is ending, including any interest earned. The board must allocate all of the funds and approve the budget before submitting the budget to the ECI Office. Area boards are to submit budgets by July 15th of the new fiscal year.

Interest Earned on Funds

The board may earn interest on Early Childhood and School Ready funds. The board must credit the amount of interest earned appropriately to each funding source. The board must use interest earned to support programs, service and activities linked to the area’s community plan. The board cannot use any interest earned to support administrative costs. (*Guidance based on the state treasurer’s requirements for investments, [Iowa Code chapter 12](#)*)

Administrative Costs

General Information – The board may use up to 5% of the Early Childhood and 5% of the School Ready allocation amounts for administrative expenses. Examples of expenses that can only be paid out of administrative funds include:

- Fiscal agent fees
- Liability insurance (refer to [Tool T](#))
- Fidelity bonds for ECIA board members and/or staff
- Board administrative functions (staff, operational expenses, etc.) Note: Boards can also use School Ready – Quality Improvement funds to also support staff doing work related to board administrative functions.

The board can also use administrative funds to support programs, services and activities linked to the area’s community plan.

Property and Equipment – The Early Childhood Iowa State Board adopted a policy at the board’s October 9, 1999 meeting which prohibits boards from using ECI funds to purchase real property that is subject to taxes.

Food, Beverage and Catering Costs – If the board or a contractor uses ECI funds for food, beverage or catering costs, the expenditure must meet public purpose. The board or contractor must maintain documentation describing how the expenditure meets public purpose.

Reimbursement Rates –

Current instate and out of state travel rate reimbursements can be found posted on the Department of Administrative Services website: <https://das.iowa.gov/state-accounting/travel-relocation/state-travel>

Certification of lodging provider’s Human Trafficking Prevention Training is required if using public funds. [Procedure 210.205](#). Beginning January 1, 2022, prior to expending or committing public funds for a purpose described below, a public employer or a public employee shall confirm a lodging provider’s current certification status on the internet site found at www.stophtiowa.org.

Cost Allocation – The board and contractors must allocate costs among funding sources so that each funding source bears its “fair share” of the cost. Refer to Tool DD, [Cost Allocation](#), for cost allocation requirements.

Annual Audits – The board must have an annual audit conducted of Early Childhood and School Ready funds. Refer to Tool UU, [Agreed Upon Procedures](#), for audit requirements. Iowa law allows boards to use School Ready program funds if there are insufficient administrative funds to cover the cost of the audit. (Iowa Code chapter 256I.9(2))

Programs, Services and Activities Funded

Supplanting – Boards must be diligent in not supplanting programs, services and activities funded through other state and federal funds.

Duplication – Area boards are to recognize when services, program and activities exist that create parallel systems. Through the comprehensive needs assessment and community planning, the area will identify and use funding to fill gaps and needs.

Indirect Costs – The board is responsible for determining allowable costs providers can charge for the management and administration of programs, services and activities. If a fidelity bond is a requirement for the program, boards do not need to consider the cost of the bond in the administrative cost limits. Refer to [Tool H \(A\)](#) for indirect cost principles.

Reimbursement Rates – If the board reimburses contractors/providers for mileage and lodging costs based on a “unit rate,” the board must identify the reimbursement rates. Refer to information above under ‘Reimbursement Rates.’

Food, Beverage and Catering Costs – Refer to information above under ‘Administrative Costs.’

Cost Allocation – Refer to information above under ‘Administrative Costs.’

Tracking, Monitoring and Reporting – Iowa law requires the board to monitor the programs, services and activities the board funds. By September 30th of each year, the board must submit a contract-monitoring schedule for their funded programs through iowagrants.gov. The ECI Office recommends that ECIA boards develop policies and procedures for monitoring and tracking program, service and activity outcomes and expenditures.

The board must report all state-required performance measures through input, output, quality/ efficiency and outcomes data for programs, services and activities funded in the annual report on iowagrants.gov. The board may require additional performance measures data for the programs, services and activities.

Quarterly Payments

The Early Childhood Iowa State Board must designate an ECIA board for the area to receive funding. The Department of Human Services issues Early Childhood payments and the Department of Education issues School Ready payments. Before receiving the first quarterly payment in a new state fiscal year, the board must provide the following to the ECI Office:

- Four original, board chair-signed and dated copies of the agreement/contract. The ECI Office will get the remaining required signatures needed to execute the contract.
- A budget submitted through iowagrants.gov. The ECI Office must approve the budget. [NOTE: It is best practice to not enter into contracts with contractors or providers until the board has state-approved budget.]
- A signed copy of the agreement the board has with the fiscal agent submitted through iowagrants.gov.
- The office addresses for both the ECIA office and fiscal agent.

In order to receive subsequent quarterly payments, the board must submit the previous year's annual report on or before September 15th and mid-year expenditure reporting data (see Tool SS, [ECI Mid-Year Financial Reporting](#)).

Legal References

- Iowa Code chapter 256I
- Iowa Administrative Code chapters 249 and 541-9

Early Childhood Funds

Purpose of funds: To enhance the capacity and quality of child care services to help parents obtain or retain employment.

Source of funds: The Iowa legislature appropriates state funds for Early Childhood funding.

Distribution of funds: The amount of Early Childhood funds you receive is based on a percentage of the average number of monthly statewide Family Investment Program (FIP) cases for families with children ages 0-5 in the preceding state fiscal year. Iowa Code section 256I.11(4)(b) describes the formula used to distribute Early Childhood funds. The formula is:

- 5% of the appropriation is distributed equally among all 99 counties
- 35% of the appropriation is distributed based on the percent of the population in the ECIA that is age 0-5
- 60% of the appropriation is distributed based on the percent of the population in the ECIA that is age 0-5 and at or below 185% of the poverty level

Use of funds: Early Childhood funds shall be used to increase the quality and capacity of child care environments. Child care environments are registered child development homes, DHS licensed child care centers and legally operating non-registered child care homes. There are many programs, services and activities that a board may fund to enhance the capacity and quality of child care for children ages 0-5 based on a comprehensive needs assessment and the area's community plan.



The following are a few examples of programs, services and activities the board may fund using Early Childhood funds to improve the quality and capacity of child care in your area:

Quality Child Care Environments

- Child care consultants, technical assistance
- Child care resource and referral services
- Child care nurse consultants

- Quality Rating and Improvement System (QRIS) and national accreditation supports
- Environmental rating scale supports (ITERS, ECERS)
- Emotional/behavioral supports

- Early Childhood – Positive Behavior Interventions and Supports (EC-PBIS)
- Curriculum supports
- Quality improvement incentives
 - Business Investment Program—refer to Tool M
- Business practice supports:
 - National Accreditation Commission (NAC)
 - First Children’s Finance
 - Iowa Small Business Development Centers (aka: America’s SBDC Iowa)
- Wrap around child care
- Small equipment purchases, minor facility improvement to meet regulatory requirements
- Professional development – refer to the ECI Performance Measures for more information about types of professional development
- Certificates and educational degrees
 - ChildNet certified
 - Child Development Associate (CDA)
 - Program for Infant and Toddler Care (PITC)
 - T.E.A.C.H.
 - Associate and bachelor’s degrees in child development/early childhood education
- Wage incentives
 - WAGE\$

Skilled Child Care Workforce

If the ECI Area board has questions regarding any of these items, you may contact the ECI State Office for assistance.

Other Important Information –

- ✓ Boards cannot use Early Childhood program funds to support ECIA staff salary for duties such as, administrative support for the board (i.e., issuing and monitoring of contracts, processing payment claims, etc.) and/or community collaboration and early care, health and education system building.
- ✓ Transportation assistance is only allowable when transferring children from preschool to child care or vice versa.
- ✓ Early Childhood Funding is not allowable to directly support core programs. Core programs means programs that are funded through other government funds during that timeframe, i.e. Head Start, Early Head Start, Shared Visions preschool, and Statewide Voluntary Preschool Programs.
- ✓ Group professional development activities and those open for enrollment to all providers are allowable for registered child development homes, DHS licensed child care centers, and legally operating non-registered child care homes.
- ✓ Boards cannot use Early Childhood funds for preschool tuition and staff in preschool classrooms that are a core program. Core programs means programs that are funded through other government funds during that timeframe, i.e. Head Start, Early Head Start, Shared Visions preschool, and Statewide Voluntary Preschool Programs.
- ✓ Boards cannot use Early Childhood funds to supplant the state’s Child Care Assistance (CCA) and DHS Wrap Around Child Care Programs for eligible recipients.
- ✓ Board cannot use Early Childhood funds for services not directly impacting the care of children. Two examples not allowed are dental services or lead screenings for the children.
- ✓ When funding child care scholarships, the family’s income must be over 145% and up to and including 200% of the Health and Human Services Poverty Guidelines and meets a parental need for child care. Parental need for child care is when the parents are either working, participating in an

education/training program, or a combination of working and participating in an education/training program. DHS and the ECI Office **do not** encourage ECIA boards to fund child care scholarships.

- ✓ Boards can use Early Childhood funds for DHS licensed child care centers if the consultation is for the entire center and not specific to a classroom operating a core program. The area board is required to ensure there is no supplanting of other government funds.

Time Limitations to Expend Funds: The area board may carry forward up to 20% of the current year's allocation into the next fiscal year. If the board's carry-forward amount is over the 20% limit, the board's allocation amount is reduced the following year by the amount in excess of the amount allowed.

School Ready Funds

Purpose of funds: To support a comprehensive school ready children plan.

Source of funds: The Iowa legislature appropriates state funds for School Ready funding. The funds are separated into two categories: Quality Improvement and General. Each category has specific requirements on how boards may use the funds. There are tools in the [online toolkit](#) that provide additional information for each category.

- Distribution of funds: The formulas for disbursing School Ready funds were established by the Early Childhood Iowa State Board. There is one 'overarching' formula for disbursing funds from the General Aid category. For the Quality Improvement category, the formula provides a base dollar amount for each ECIA and then the remaining funds are distributed using a formula based on land area and total 0-5 population. The 'overarching' formula for distributing the School Ready funds for the General Aid category is as follows:
 - 45% of the appropriation is distributed based on the percent of the population in the ECIA that is age 0-5 and at or below 185% of the poverty level
 - 35% of the appropriation is distributed based on the percent of the population in the ECIA that is age 0-5
 - 20% of the appropriation is distributed equally among all 99 counties
- The formula for distributing the Quality Improvement category is as follows:
 - \$30,000 for each ECIA
 - Remaining funds are distributed 50% on Land Area and 50% on Total 0-5 population in the ECI area.

Use of funds: There are many programs, services and activities a board may fund to support children prenatal through age 5 and their families based on a comprehensive needs assessment and the area's community plan.

The following provides some general information about the School Ready Children Grant funding and links to tools with more information.

Quality Improvement – Boards are to use these funds to improve the quality of early care, health and education programs and services within the ECIA that:

- Support quality improvement efforts
- Are evidence-based, quality practices and services, that positively affect outcomes for children
- Produce and document expected performance outcomes
- Align with the ECIA community plan and identified priorities

Another purpose of the Quality Improvements funds is to provide funding for staff to help the board meet administrative responsibilities associated with board member's roles and responsibilities in Iowa law. If necessary, boards may also use these funds for administrative costs to support staff.

Other Services (General Aid) – Although these funds do not have specific requirements, boards must:

- Use the funds to support the early care, health and education for children prenatal through age five and their families based on a comprehensive needs assessment and the area's community plan.
- Demonstrate the effectiveness of programs, services and activities funded through performance measures.

In addition to the two categories of funds, ECIA boards are to support preschool services for children at risk and family support services and parent education programs.

Family Support Prenatal through Five – Boards are strongly encouraged to support programs implementing evidence-based family support and parent education practices. See [Tool FF](#) for more information.

Preschool Programming Support for At-Risk Families – Funding is used to help families whose income is up to 200% of the federal poverty guidelines with tuition for preschool that is not covered under Iowa Code chapter 256C, Statewide Voluntary Preschool Program for Four-Year-Old Children. Based on the board's comprehensive needs assessment and community plan, the board can also fund supportive services for preschools. Children ages three, four or five, who are not attending kindergarten, are eligible.

If sufficient funding is available after addressing the needs of families that meet the income eligibility requirement, the board may provide tuition assistance to families over 200% of the federal poverty guidelines using a sliding scale or other copayment provision. See [Tool CC](#) for more information.

The board cannot use Other Services funds for administrative costs, such as, legal fees, fiscal agent fees and liability insurance or for ECIA staff in completing administrative responsibilities, such as, work related to board meetings, issuing and monitoring of contracts, processing payment claims, etc.

Time Limitations to Expend Funds: Iowa Code section 256I.9(4)(e) allows the board to carry forward up to 20% of the current year's allocation into the next fiscal year. If the board's carry-forward amount is over the 20% limit, the board's allocation amount is reduced the following year by the amount in excess of the amount allowed. See comment in EC section regarding time limitations of funds.