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**Ohio House of Representatives
Finance Committee
House Bill 110
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Chairman Oelslager, Vice Chair Plummer, Ranking Member Crawley and members of the committee, my name is Lynanne Gutierrez and I am the Assistant Director at Groundwork Ohio. Thank you for the opportunity to provide written testimony on House Bill 110, Ohio's FY 2022-2023 budget bill as it relates to invited testimony today from the Ohio Department of Job & Family Services (ODJFS), and more specifically the publicly funded child care program administered by the Department.

As you may know, Groundwork is a statewide, nonpartisan advocacy organization that champions high-quality early learning and healthy development strategies from the prenatal period to age five, that lay a strong foundation for Ohio kids, families and communities. Our vision is to make Ohio the best place to be a young child so that all children have the opportunity to reach their full potential. Groundwork is led by Executive Director, Shannon Jones, and governed by a robust steering committee of child-focused health and education experts from across the state.

Groundwork is testifying today as an interested party to House Bill 110 and asks this Committee to consider the following items more fully explained in the body of this testimony:

1. Families are in crisis and working mothers are leaving the workforce. Investing in quality child care provides a critical support for the workforce of today. Today, too many families with young children are making a choice between spending a significant portion of their income on child care, finding a cheaper, but potentially lower-quality or unsafe care option, or leaving the workforce altogether to become a full-time caregiver.
2. Businesses suffer from child care challenges. Without affordable quality child care, businesses see a decrease in productivity, revenue, employee morale, quality and tenure. Businesses are working harder than ever to keep their operations running and to bring employees back to work safely. In order to return and stay and work, employees—especially those with young children under age 5—need access to affordable, high-quality child care options. If parents don't have access to trusted, safe learning environments for their young children, they won't be able to return to the workforce now or in the future after the COVID-19 pandemic subsides.
3. Ohio's publicly funded childcare program is only available to individuals earning under 130% of the Federal Poverty Level and disincentivizes work. Ohio's low eligibility means that a family of three, a mom and two young children can earn no more than \$13.57 per hour with a yearly salary not exceeding \$28,236.00 to access a child care subsidy. That same family at 200% FPL earns a yearly salary of \$43,440.00 but does not have access to a subsidy. After meeting all other basic needs, the family earning more would be left with substantially less expendable income than a family at 130% of the FPL who has access to the child care subsidy. **Ohio must increase initial eligibility from 130% to 200% FPL and begin this commitment by increasing to 150% FPL beginning in FY22 to provide relief to working families.**

4. Ohio is facing a workforce crisis because kids are not ready for school. Even before the pandemic, only 41% of Ohio children come to kindergarten ready to learn and in consideration of learning loss sustained over the past year this crisis is becoming more dire. High-quality child care is a proven solution to this crisis validated by decades of national research and in the state of Ohio—attendance at a high-quality programs increases kindergarten readiness. **We celebrate and ask for continued support of all programs serving publicly funded children, 100% of which are participating in the Step Up to Quality system and nearly half of whom are highly rated (3-5- star) in the system at this time.**
5. Because the cost of child care has increased substantially over the past two years, the newly completed market rate instructs our state that in order to remain in compliance with our federal grant, base rates for publicly funded providers have to be increased to at least the 25th percentile of the market rate. The Department is again accomplishing this rate increase by utilizing federal dollars. **We support the required rate increase for publicly funded providers to adjust to the 25th percentile of the market rate, but also wants to recognize that this is merely a floor, ensuring that publicly funded children have access to 25% of the child mcare market.** The federal government has continued to maintain that setting rates at the 75th percentile of the market rate ensures equal access, meaning that children benefitting from subsidy have access to 75% of the child care market.
6. Child care continues to be in crisis. Child care programs were not adequately funded prior to the pandemic and costs to operate child care programs have increased substantially to accommodate COVID-19-safe environments. Attracting and maintaining staff to work for an average hourly wage of \$10.67 prior to the pandemic is very challenging in the current environment. **The realities of the child care business model and the low-wage workforce on which it relies is not only a call to action for increased federal and state investment in our child care system, but a poignant reminder that any potential cuts to Ohio’s quality child care system at a time when operations cost more than ever, can simply not be sustained without significant loss of capacity.**
7. As we continue to build upon the strong framework of our quality early childhood system, we must do so while creating sustainable funding plan for our system. **While child care, has benefited from and is likely to benefit from additional federal emergency dollars, long-term sustainability will require new state resources in the future.**

The Workforce of Today

Families in Crisis

Investing in quality child care provides a critical support for the workforce of today. We know that more parents, primarily women who are the most likely to be single heads of household of our state’s low-income families, could increase their earnings and seek employment or new job opportunities if they had greater access to reliable and affordable child care.

If we want families to work, they must know their child is in a safe, nurturing environment. If they can't find quality, affordable childcare, or if they don't believe their children are well taken care of while they're on the job, most parents will do what you or I would do — they will quit or they will call in sick. Today, too many families with young children are making a choice between spending a significant portion of their income on child care, finding a cheaper, but potentially lower-quality or unsafe care option, or leaving the workforce altogether to become a full-time caregiver. All working parents make sacrifices due to problems with child care. Regardless of income, for every four Ohio children under the age of three, there was only one licensed child care slot available before the pandemic. These challenges are exponential for working parents in low-income families.

Parents and children aren’t the only ones who suffer from child care challenges. Businesses rely on employees, and employees rely on child care. American businesses lose an estimated \$12.7 billion annually because of their employee’s child care challenges. Even before the pandemic began, businesses lost about \$1,150 per working parent each year from decreased productivity and extra hiring and training costs when families don’t have access to child care. Without affordable quality child care, businesses see a decrease in productivity, revenue, employee morale, quality and tenure.

Nationally, the cost of lost earnings, productivity, and revenue due to the child care crisis prior to the pandemic totaled an estimated \$57 billion each year.

Working mothers need support. In many cases, working moms are responsible for much of the caregiving in the homes. The inadequate supply of child care, only exacerbated by the pandemic, is impacting women’s ability to work, and their long-term employment opportunities. In Ohio, approximately 416,000 children in Ohio are under the age of 3 and 2/3 of their mothers work outside of the home. In 35 states, including Ohio, lack of child care has driven \$1.2 million people from the workplace, a 36% increase on average from late April of 2020. Lack of child care is now the third most reported reason for not working, after pandemic related layoffs and furloughs due to reduced business. Overall, nearly 2.4 million women have exited the workforce since last February compared with less than 1.8 million men. The toll of the pandemic on women and their families will take years to recover and our families can’t wait.

Businesses are working harder than ever to keep their operations running and to bring employees back to work safely. In order to return and stay and work, employees—especially those with young children under age 5—need access to affordable, high-quality child care options. If parents don’t have access to trusted, safe learning environments for their young children, they won’t be able to return to the workforce now or in the future after the COVID-19 pandemic subsides.

Keep Ohioans Working by Expanding Access to Child Care

Ohio’s publicly funded childcare program is designed to encourage work by making quality childcare affordable and offering subsidies on a sliding scale. Currently, child care is only available to individuals earning under 130% of the Federal Poverty Level, a level that puts Ohio at one of the lowest initial eligibilities for publicly funded child care across the country. For a family of three, a mom and two young children (a typical profile considering 60% of families living in poverty are single parents living with children), this means earning no more than \$13.57 per hour with a yearly salary not exceeding \$28,236.00. That same family at 200% FPL has a yearly salary of \$43,440.00. After meeting all other basic needs, the family earning more would be left with substantially less expendable income than a family at 130% of the FPL without access to the child care subsidy. Given this substantial impact on the family’s expendable income parents often conclude they cannot afford child care and are left with the choice of not working or perhaps, piecing together alternative low quality child care arrangements for their young children (See image below and accompanying source list attached as Appendix A.)

130% FPL – ELIGIBLE
\$28,236.00 annual income (\$13.57/hour)



**Current Eligibility
130% FPL**

- Child Care Costs
\$2,472.08 vs. \$16,066
- Other Living Costs
\$11,376 vs. \$18,016.32

■ **Remaining Expendable Annual Income**
\$14,387.92 vs. \$9,357.68

200% FPL – NOT ELIGIBLE
\$43,440.00 annual income (\$20.88/hour)



Are we preventing working families from breaking out of poverty?

If we expanded eligibility to 200% of the Federal Poverty Level, this same mother would have the work support she needs to provide for her family and more than triple her remaining expendable income, providing a greater opportunity to break out poverty

If we expand PFCC eligibility to 200% FPL

- Child Care Costs
\$3,803.80
- Other Living Costs
\$18,016.32
- **Remaining Expendable Annual Income**
\$21,619.88

200% FPL – ELIGIBLE
\$43,440.00 annual income (\$20.88/hour)



During the last biennial budget deliberations, Governor DeWine committed to increasing eligibility to 150% FPL in recognition of the difficult choices low-income families were making but no additional investment was made. The FY22-23 executive budget proposal includes a small increase in eligibility from 130% FPL to 138% FPL. While we are pleased to see this new commitment, it is not enough to meet the needs of working families today or in the future, especially in light of the COVID-19 pandemic. The increase is projected to serve 2,000 more in FY22 and 2,500 in FY23. Additionally, eligibility has been expanded to serve an additional 100 children in FY22 and 220-250 children in FY23 respectively who have special needs up to 150% FPL. In order to make meaningful progress on eligibility in the state of Ohio, initial eligibility must be increased to 200% FPL. We believe that a move in FY22 to 150% FPL provides meaningful relief to working families.

You can have the best training, but if you don't have child care you can't go to work. You can have available jobs, but if you don't have a healthy foundation you won't be qualified to work down the road. You simply cannot talk about workforce development without talking about both the workforce of today and the workforce of tomorrow through a child care lens.

The Workforce of Tomorrow

Ohio is Facing a Workforce Crisis

Ohio is facing a workforce crisis because kids are not ready for school. Only 41% of Ohio children come to kindergarten ready to learn. So, it's no surprise that only 43% of Ohio's workforce has a degree or credential for available jobs. Yet 65% of jobs in 2020 required more than a high school diploma. Given that 90% of brain development happens in the first five years of life, kids who start behind, often stay behind. This not only means that we are failing to provide our littlest learners with the quality experiences they need for healthy mental, physical and emotional development, but it also projects a broader concern down the road—our state's long-term economic stability. Adding to this challenge is the fact that 65% of our current elementary students will have jobs that don't yet exist.

High-Quality Early Childhood Education is a Critical Response to this Crisis

What do many neuroscientists, economists, psychologists, generals, faith leaders, parents, Republican and Democratic governors, teachers, principals, researchers, state and federal legislators, and business leaders all have in common? The belief that investing in high-quality early childhood education and early childhood educators will make the nation and Ohio brighter, stronger and more competitive. Why? Because decades of research show that investing in the early years produces positive outcomes for children, our families and the economic future of our state.

Providing high-quality early childhood education for Ohio's most at-risk children during the most critical period of their development yields the greatest return on public investment. The ROI is upwards of 13% for every public dollar. Experts conclude that when investments are made early children are more likely to be kindergarten ready, graduate high school and have higher earnings and better health. They are also less likely to be held back a grade, rely on public assistance and engage in criminal behavior.

The nature of this powerful prevention policy was also affirmed by the Health Policy Institute of Ohio's Health Value Dashboard 2019 which ranked Ohio 46 out of 50 states and the District of Columbia on health value—Ohioans are less healthy and spend more on health care than people in most other states. Of the nine strategies that work to improve health value in this report, the need for expanding access to quality early childhood education by fully investing in Ohio's Step Up to Quality rating system and expanding eligibility for Ohio's child care subsidy from 130% FPL to at least 200 % FPL was one of them.

If a child has access to a quality early childhood experience, it is most likely through publicly funded child care administered by ODJFS. On a healthy day in Ohio, prior to COVID-19, this large program served approximately 113,000 children each year and meets the needs of working families who often can't take advantage of other quality experiences such as preschool because it doesn't meet the needs of their work or school schedule. During the pandemic the program continues to serve approximately 97,000 children. Ohio's quality early childhood system, Step Up to Quality, has been validated twice. Both studies affirmed the correlation between attendance at a high-quality program and increased

kindergarten readiness. *As of today, and in recognition of incredible progress over the last several years, all programs serving publicly funded children are participating in the Step Up to Quality system and nearly half of all programs are highly rated (3-5- star) in the system.*

The state supports the quality system through tiered reimbursement rates so that as programs move in and up through the 5-star rating system, they have additional resources to sustain a higher quality environment. Last budget cycle our state was in federal corrective action under our Child Care Development Block Grant (CCDBG) because our base rates were too low. Our state's corrective action plan required rates to be adjusted to the 25th percentile of the market rate for the most recent market rate study which is completed every two years. We accomplished this increase utilizing federal dollars. Because the cost of child care has increased substantially over the past two years, the newly completed market rate again instructs that in order to remain in compliance with our federal grant, base rates have to be increased to at least the 25th percentile of the market rate. The Department is again accomplishing this rate increase by utilizing federal dollars. We support the required rate increase for publicly funded providers to adjust to the 25th percentile of the market rate, but also want to recognize that this is merely a floor, ensuring that publicly funded children have access to 25% of the child care market. The federal government has continued to maintain that setting rates at the 75th percentile of the market rate ensures equal access, meaning that children benefitting from subsidy have access to 75% of the child care market.

As we keep Ohioans working by recovering capacity and expanding access to high-quality child care, we are not only supporting working parents today, but are building brains to support the workforce of the future. Not only does the COVID-19 pandemic happen once in a lifetime, so does childhood. Our youngest children have a short, five-year period of critical brain development happening in the earliest years of their life to benefit from the love, care and learning they need to support their lifelong success. We often talk about the first 1,000 days setting the foundation for the rest of a child's life in recognition of over 80% of brain development happening in the first three years and 90% in the first five years of life. Ohio's most vulnerable infants and toddlers have now spent a third of these precious 1000 days in this pandemic, enduring the stress, trauma and financial realities experienced by their families, caregivers and communities which deeply impacts their development.

The Impact of COVID-19 on the Workforce of Tomorrow

Even prior to COVID-19, we know that low-income children are up to two years behind their higher income peers when they enter the kindergarten classroom and only 41% of Ohio kids were coming to the classroom ready to learn. This number is far lower for low-income students and Black students. These children don't just start behind, they stay behind as national and state research have verified that kindergarten readiness is a predictor of third grade reading proficiency, 8th grade math proficiency, high school graduation and postsecondary attainment. We have also investigated and affirmed how these gaps at kindergarten persist over a child's academic career in Ohio. With this understanding, when reviewing the Ohio Department of Education's most recent report, *Data Insights: How the Pandemic is Affecting the 2020-2021 School Year* we are alarmed by the following urgent concerns for these children:

- Kindergarten Readiness Assessment:
 - Only 78% of enrolled kindergarten students completed the KRA (compared to 93% in 2019). The students who did not, were more likely to be students with disabilities, English learners, economically disadvantaged or non-white. There were 30% fewer Black students and 18% fewer low-income students who took the test.
 - Even among those who took the assessment, 47.6% of the students scored not on track (up from 2019 where 29.7% were not on track) for Ohio's Third Grade Reading Guarantee.
 - A higher percentage of children taking the KRA scored in the lowest performance level, *Emerging Readiness*, than in any previous year (23.7% compared to 22.5% in 2019).
- Enrollment & Attendance:
 - Among all public districts, preschool and kindergarten enrollment is down in 2020-2021 with the decrease being greatest among districts that began the year fully remote.
 - Of those who are enrolled, students across the board are experiencing lower attendance and higher levels of chronic absenteeism, but particularly in urban elementary schools. Additionally, racial gaps are widening substantially in chronic absenteeism.

As you deliberate child care investments in the ODJFS budget, we ask you to consider the incredible opportunity that our early childhood birth-to-five education system provides to support the monumental task of meeting the needs of students recovering from the significant losses they have sustained over the past year. All too often considered separately, our early childhood system is inextricably linked to the K-12 school system. High quality early childhood education holds the promise of narrowing gaps we see when children enter the public school system. This is supported by an indisputable body of national evidence fortified by Ohio's own validation studies of our quality early childhood system and being proven year in and out in our local communities that have invested their own dollars into quality child care and preschool.

Additionally, while the K-12 school districts will do their best to ensure each grade has a viable and standards-aligned curriculum and plan for intensified intervention, any intervention still occurs *in addition to* grade-level instruction. It is no surprise then, that even the highest-performing school districts across the county and in our state only achieve on average 1-1.25 years of growth during a single school year—that is what they were built to do. Accordingly, it is unrealistic to expect that the K-12 system can bear this burden alone. An upstream approach to closing gaps where they begin, in those earliest years prior to kindergarten during the most critical period of brain development, is a requisite part of any plan to narrow the gaps we see now and will continue to see as our most challenged students return to school, are assessed and enter the Kindergarten classroom next year and years from now when they enter the workforce. Quality child care is the foundation of this upstream approach as it continues to be the early learning program serving the most children across the state. Additionally, child care *is* the school day for our youngest children and for our school children is *already* an extended school day where they are supported before and after school and through summer programming.

The Workforce Behind the Workforce

Our state has made an incredible effort over the past year to protect the public from harm, support the health systems that are needed to fight COVID-19, address the severe economic impact on many businesses, and set the stage for a swift economic recovery. Child care is essential for each of these efforts. In fact, none of them can happen without a well-functioning child care system. But the past year has exposed more broadly the fundamental weaknesses in our child care system that many families, early educators and employers have experienced over the past decades. We recognize this complex system requires a complex response to survive this crisis and to continue providing essential support to children, families and the state's economy. After all, high-quality child care is the foundation on which all other industries rely.

Over 90% of child care programs in Ohio have reopened their doors this past year to a completely new normal with elevated expectations that prioritize the health and safety of children, families, and staff. Lower teacher-to-child ratios and classroom sizes, new health screenings, and increased sanitation requirements have impacted programs over time who have chosen to reopen. But protecting Ohio's youngest children, families and child care professionals comes at a cost.

Child care programs have always operated on razor-thin margins to provide the highest quality care for kids, while keeping tuition costs as affordable as possible for parents. For many providers, whether they temporarily closed or stayed open to provide care for essential workers during the first few months of the pandemic, most programs have now reopened over the past year and sustained a substantial financial blow. As providers re-opened their doors to families, they quickly found that the numbers just don't add up. Additional grant support dollars staved off closures through October of 2020 but programs have not received any additional support since then. Programs are operating in the red as they anxiously await additional implementation of federal relief dollars.

In the summer of 2020, Ohio was at risk of losing 45% of our state's child care supply, which translated to nearly 100,000 slots across the state. Emergency federal dollars and swift state action has pushed this loss off, but programs are yet again at a tipping point without any additional support since October of 2020. At a time when children are in greatest need of consistent and nurturing caregiving that our high-quality child care programs provide—and parents are in desperate need of safe options as they return to work—Ohio cannot afford this loss of child care supply. While the current situation may seem dire—for children, families, providers, and our state's economy—we can weather this storm with the proper focus and smart investments in our system. As we consider how to stem the tide during this budget process by prioritizing investments and policies at the local, state, and federal levels, we must resist the temptation to decide how to distribute life boats and instead, come around to the idea of building a stronger, more seaworthy ship.

There is no quick fix or easy solution for Ohio's child care system as we move into the recovery period of the COVID-19 pandemic. Child care requires investment, time, attention and creativity to get through this crisis and help our state get back on its feet. Recognizing the complexity of Ohio's child care system and the unique needs of young children and families, Groundwork has asked this Committee to consider investments to support the workforce of today, the workforce of tomorrow and now, the workforce behind the workforce—the child care workforce.

Child care programs are not adequately funded and costs to operate child care programs have increased to accommodate COVID-19-safe environments. COVID-19 child care policies substantially raise the program's cost of doing business and instability in child enrollment and attendance during the pandemic deeply impact a program's bottom line. The child care industry typically runs on very low margins and has few areas in which to capitalize on any program efficiencies. Given increased costs and instability, programs serving publicly funded children need reliable and consistent financial support during this time.

Early childhood professionals at child care programs have continued to work through this public health crisis. Attracting and maintaining staff to work for an average hourly wage of \$10.67 prior to the pandemic proved very challenging. Adding the additional responsibilities that come with working in a high-risk environment in addition to other industries paying far more competitive wages for similar qualified individuals is a significant challenge for child care programs and has only become more difficult over the past year. This workforce issue increases operating costs for providers and needs to be accounted for in order to open and maintain programming.

The realities of the child care business model and the low-wage workforce on which it relies is not only a call to action for increased federal and state investment in our child care system, but a poignant reminder that any potential cuts to Ohio's quality child care system at a time when operations cost more than ever, can simply not be sustained without significant loss of capacity.

State Funds are Required to Sustain the Child Care System Long-Term

As we continue to build upon the strong framework of our quality early childhood system we must do so while creating sustainable funding plan for our system. While child care, given its foundational role in the national workforce and economy, has benefited from federal emergency dollars, we will not be able to secure long-term sustainability for our system without new state resources. We remain concerned that over the past decade, our increased reliance upon federal investments, including CCDBG and TANF funds, has failed to create predictability for our system. Our concern is rooted in three areas:

- **Federal:** Even prior to COVID as advocates were strategizing around increased CCDBG funds, we found that there was some concern by national partners and other states, that states had not effectively invested in their child care system over time. The reliance on federal dollars as the primary funding source and the failure to deliver on new state investment in Ohio is a trend that was bringing the existing federal dollars into question prior to the pandemic. This had been a concern of ours as we considered the early emergency relief funding we received. As a result of the pandemic, child care has finally begun to receive some of the priority it deserves considering the foundational role it plays in our workforce and economy. As the pandemic has persisted additional federal resources offer flexibility and the opportunity to make substantial policy changes to improve access to quality child care while working to sustain the program in Ohio over a longer time horizon.
- While federal dollars have allowed us to push off addressing state funding sustainability as CCDBG funds have replaced TANF funds, we continue to prepare our state policymakers for this reality but are encouraged by the substantial federal investments that are being negotiated.
- **State:** Child care in Ohio is largely reliant on federal dollars. The JFS Redbook summarizes that of the \$697.7 million spent on child care in FY19, 65.8% comes from federal child care grants and federal TANF and 34.2% is state GRF. Further, as affirmed in Director Hall's testimony during the FY19-20 deliberations, child care continues to be reliant on the TANF sustainability fund balance in addition to TANF federal block grant dollars. At that time, JFS projected this fund would be depleted by the end of FY 2022. While we anticipate an updated TANF spending framework from the Department, we understand that the sustainability fund balance will support child care through FY24. The circumstances of this one-time fund, requires that in order for the system to maintain status quo, a new annual state investment must take its place during the FY24-25 budget.

- Local: Local government, private philanthropy and corporate investments are also at stake. There has been a lot of shared concern from our community partners that local resources are at risk of being diverted to other community projects rather than to child care because of the misperception that local support is no longer needed because of new federal and state investments. While many local communities will never have these types of local investments, the ones who do are dependent on them with no relief from the state because there are no new resources coming from the state to supplant these investments.

Thank you for the opportunity to testify today and please don't hesitate to reach out to us directly where you have questions or concerns about the content of our testimony and Ohio's child care system.