



**Ohio Senate Finance Committee
Ohio Department of Job and Family Services
Executive Budget Recommendations for SFY 2022-2023
Matt Damschroder, Interim Director
April 15, 2021**

Good morning, Chairman Dolan, Vice Chair Gavarone, Ranking Member Sykes and members of the committee. I am Matt Damschroder, Interim Director of the Ohio Department of Job and Family Services. Thank you for the opportunity to discuss the ODJFS budget for state fiscal years 2022 and 2023.

ODJFS is responsible for managing vital programs that directly impact the lives of Ohio's families and children. These include foster care and adoption, child care, job training and employment services, food assistance, cash assistance, unemployment insurance, adult protective services, and child support. Year over year, we touch the lives of more than a million Ohioans. Over the past year, in these historic times, we have served more than 3 million Ohioans.

Our current annual budget totals more than \$4.1 billion. Nearly 71% of that amount is federal funding. We allocate the majority of those funds to more than 150 partner agencies throughout the state, including county departments of job and family services, public children service agencies, child support enforcement agencies, and local workforce development boards. We also partner with local and statewide not-for-profit, faith-based and business organizations to further our mission and better serve Ohioans.

The majority of our programs are state-supervised and county-administered. This means that county agencies and workforce development boards are the front door of services to Ohioans, and ODJFS provides funding and guidance necessary for their success. We are very grateful for the hard work and commitment of these agencies to improve the lives of the Ohioans we serve.

State fiscal year (SFY) 2020 started out with historic investments in children services, a record child support collection rate, an updated In-Demand Jobs List, a full slate of in-person visits and roundtable events with our county partners, and a newly created Children Services Transformation Advisory Council to review the state's foster care system and develop recommendations for improving it. Then, a little more than midway through the fiscal year, the economic crisis related to the COVID-19 pandemic brought ODJFS into the forefront of Ohio's response effort.

The JFS team worked quickly to stabilize our more than 150 local partner agencies to ensure the delivery of services at the county level in a virtual environment. Our Office of Information Services provisioned, imaged, and issued over 4,100 devices to both state and county network users so front-line staff could continue determining the eligibility of Ohio's most vulnerable citizens for food and child care assistance. They also deployed over 9,000 new VPN (virtual private network) tokens to state, county and contracted network users, and that procurement and provisioning continue. Like every other state in the nation, Ohio experienced a surge in unemployment claims literally overnight as

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businesses suspended operations. ODJFS deployed hundreds of laptops, desktops, headphones, cell phones, and software packages to our employees, as well as to external agency volunteers, to assist with serving claimants.

Throughout the pandemic, ODJFS has continued its longer-term focus on the federal Family First implementation efforts, Benefits Bridge research, internal strategic planning, and children services transformation efforts. The pandemic continues to hamper the ability of Ohioans to meet their basic needs. ODJFS, in partnership with our local agencies, ensures the provision of critical support programs to meet those needs. When the economy lags, our services are even more crucial.

Our mission is to support the well-being of Ohioans by strengthening families and promoting economic stability, with a focus on Stable Families, Safe Children and Economic Independence. My testimony today will be organized around those areas of focus, starting with a discussion of unemployment benefits. Here with me to help answer questions are Chief Operating Officer Michael McCreight, Employment Services Assistant Director Tonia Saunders, and Health and Human Services Assistant Director Kara Wentz.

Priority: Unemployment Benefits and Services

Prior to the pandemic, Ohio's unemployment claims were at their lowest in decades. This resulted in steeply declining federal administrative funds to support staffing. To rein in costs, a number of reorganization and process improvement initiatives were undertaken, operations were streamlined, and the workforce was reduced by nearly 200 employees through attrition.

Then the pandemic hit, transforming every unemployment program in the nation. In the space of one week, our weekly call volumes jumped from 20,000 to 500,000, and the number of claims increased by nearly 2,700%. Our system, which was built for the equivalent of a normal annual rainfall, was not prepared for a 500-year flood.

Since March 2020, more than 4.7 million claims have been filed, which is more than the number of claims filed during the previous three peak recession years – 1991, 2002 and 2009 – combined. This includes both traditional unemployment claims and claims for Pandemic Unemployment Assistance, or PUA, the new federal program that supports self-employed individuals, independent contractors and others who don't qualify for traditional unemployment benefits.

As I'm sure you're aware, we recently enlisted the help of a Public-Private Partnership, or "P3 Team," made up of highly-skilled experts from some of Ohio's top banking and insurance companies. They are providing recommendations and solutions to improve our call center, claims processing, and fraud detection efforts. In addition, we have been aggressively working to boost staffing levels, improve our training curriculum, cross-train staff, streamline the claims adjudication process, and take additional measures to combat fraud. As you know, unemployment fraud is a national problem that, unfortunately, requires significant resources to address – resources that we all would prefer to see devoted to assisting legitimate claimants, who have very real and pressing needs.

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With the P3 team's help, we have made significant progress. For example, we completed the processing of all outstanding traditional unemployment and PUA claims from 2020 that weren't flagged as being potentially fraudulent and/or under appeal. We greatly increased the number of calls that are answered, and we're now using Experian and LexisNexis technology to verify the identity of unemployment applicants, which has greatly reduced the number of fraudulent applications. For the PUA program alone, the number of initial applications dropped by more than 65% the week after we implemented this new technology. For traditional unemployment, the reduction was 45%. Of course, we know there is more to be done.

The antiquated technology of our benefit system and call center has been one of our greatest challenges and disadvantages as a state. Our benefit system, Ohio Job Insurance (OJI), was implemented in 2004. It was never built for the claims volume it is now handling and is one of about a dozen state systems that still use COBOL programming. For that reason, we purchased a production-ready PUA system from Deloitte. We knew that buying an off-the-shelf product was the only way we could rapidly stand up this new program, which has requirements so different from traditional unemployment.

During the final year of the Kasich Administration, ODJFS issued a competitive RFP seeking a vendor to replace not only OJI, but also our employer tax system – the Employer Resource Information Center (ERIC) – and our appeals system, RC Express. In December 2018, ODJFS contracted with Sagitec for a scalable, cloud-based solution. The system core is shared with other states to leverage the cost of enhancements and federal law changes. That work was underway when the pandemic struck, and it continues, despite being delayed at times to prioritize federal program updates. Our goal is for the new benefits portion of the system to be ready in 2022. We are hopeful the tax portion of the new system will go live this calendar year. This budget includes over \$10 million in each year of the biennium to pay for the costs of system construction and maintenance.

In addition, as you know, Ohio is borrowing from the federal government to meet our unemployment insurance benefit obligations. Governor DeWine has recommended to the General Assembly that Ohio use a portion of its federal COVID relief and recovery dollars to pay off this loan. As the Governor said, paying off this loan now will free Ohio employers from future tax burdens so they can instead focus on getting employees back to work. Current regulations are deferring the accrual of interest on this loan until September 6, 2021. The first annual interest payment is due on September 30, 2021. This amount is not included in this budget submission. If we pay off the federal loan before September 6, we can avoid both the interest charges, as well as an additional employer surcharge, per Ohio Revised Code section 4141.251.

This budget request of more than \$221 million in each year of the biennium will allow us to continue the many unemployment program improvements we are making in response to the pandemic workload.

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Priority: Stable Families

One of our main priorities is stable families. We are acutely aware of the challenges Ohioans are facing, especially during this COVID-19 emergency. Those who already were in need prior to this pandemic are even more vulnerable now. We also are serving Ohioans that we never served before. We hear about their challenges every day, and we have implemented a number of unprecedented measures to assist them.

Food Assistance

For example, each month since March 2020, we have distributed additional payments to approximately 470,000 households in the federal Supplemental Nutrition Assistance Program, or SNAP, to ensure that they received the maximum amount possible. We also have distributed Pandemic Electronic Benefit Transfer, or P-EBT, payments to approximately 850,000 children who normally receive free or reduced-price meals through the National School Lunch Program.

To give you an example of the impact of both of these measures, a single mother of two who received \$375 a month in SNAP benefits prior to the pandemic might now receive \$616, the maximum for her household size. In addition, if her children normally received free or reduced-price breakfast and lunch at school but were attending school remotely, she might also receive \$272.80 in P-EBT benefits for a given month (\$6.82 per child per day).

ODJFS also received federal approval to allow Ohioans in the SNAP program to use their Ohio Direction cards to purchase food online through Walmart and Amazon and have groceries delivered, if they choose. As a result of all of the above measures, the agency has issued more than \$1 billion in additional food benefits to Ohio's families and children since the start of the pandemic.

Child Care

This administration is committed to high-quality child care, and quality child care has remained a priority throughout this emergency. During Ohio's Stay at Home order last spring, ODJFS administered a Pandemic Child Care program that served more than 24,000 children of essential workers. Child care programs were allowed to reopen on May 31, with reduced child-teacher ratios and increased sanitation requirements. Since August, providers have been able to return to their normal ratios, if they would like to. From June through October, providers had the opportunity to apply for supplemental grants, paid for with federal CARES Act funding, if they elected to maintain smaller class sizes. As a result of the support and commitment of the General Assembly, approximately 91% of Ohio's child care providers have successfully reopened.

Prior to the pandemic, more than 119,000 children were enrolled in our Publicly Funded Child Care Program. Right now, approximately 97,000 of our children from lower-income families are back in quality child care settings. In addition, we have issued 26 Temporary Pandemic Child Care licenses to ensure that school-age children learning remotely have a safe place to go during the school day if their parents have to work outside the home.

Our submission includes further funding increases for Step Up To Quality, the rating system that recognizes and rewards high-quality child care providers. Per state law, all Publicly Funded Child Care providers are required to participate in Step Up To Quality,

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and child care centers must achieve high ratings – which means three to five stars – by 2025. Providers that achieve high ratings receive incentive payments. The higher the rating, the higher the payment. As more children are served and as more providers achieve high ratings – and, as a result, receive higher payments – child care costs will increase. This will require a significant commitment of General Revenue Funding in future biennia to sustain the program.

This budget requests more than \$1 billion in each year of the biennium for child care. For Publicly Funded Child Care, it supports expanding eligibility by raising the initial family income limit from 130 to 138% of the federal poverty level (FPL), and to 150% FPL for families that have children with special needs. This will ease the burden on low-income working parents and caregivers and allow more children to receive the care, supervision and developmental opportunities they need.

Ohio receives a Child Care Development Block Grant of approximately \$330 million annually. However, we have received more than \$400 million in additional Child Care Development Block Grant funding over the last year as a result of the pandemic. This funding has been used to help providers remain open and safe and to invest in sustainability, with funding supporting both eligibility and direct service costs.

Child Support

Child support, when collected, assists in meeting children's basic needs for food, shelter and medical support. It also can reduce public assistance costs. In recent years, Ohio has collected more than 70% of all child support owed, well above the national average, for more than one million Ohio children. During 2020, this included more than \$1.2 billion collected through income withholding, \$300 million through IRS offset payments, \$194 million directly from noncustodial parents, and more than \$118 million from unemployment benefits. This budget requests approximately \$367 million in each year of the biennium to maintain current programming and finalize a much-needed modernization of the Support Enforcement Tracking System. This is the legacy system that tracks case information to collect and distribute the state's child support funds.

Priority: Safe Children

Another key priority for our agency is safe children. Since the start of the pandemic, the number of abuse and neglect reports has declined, most likely because children haven't been physically present in schools, where teachers, who are mandatory child abuse and neglect reporters, can more easily spot the warning signs. To help teachers stay vigilant even when not physically present with children, the JFS team worked with the Ohio Department of Education to provide awareness resources. We also have provided significant guidance to local agencies to help them manage both in-person and virtual visitations with children and families.

The last biennial budget allocated an additional \$110 million a year in GRF to children services, raising it from \$77 million to more than \$186 million, to meet tremendous local needs. We are extremely grateful to the General Assembly for that investment. Because of the opioid epidemic, thousands of Ohio children are not able to live with their families

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because it is not safe for them to do so. Many of these children are having to stay in care longer. They have very complex needs that require complex treatment.

Governor DeWine believes that as a state, we must give our most vulnerable children the opportunities they deserve to succeed and to live fulfilling lives. That is why he created the Children Services Transformation Advisory Council, whose members traveled the state to hear hundreds of individuals tell their stories about their experiences with the children services system. The council's report and recommendations represent a shared vision for a children services and foster care system that promotes safety, permanency, and well-being by strengthening families and communities.

The Executive Budget includes more than \$37 million in funding over the biennium to implement many of the council's recommendations, such as statewide implementation of the Wendy's Wonderful Kids child-centered adoption program; funding for the Kinship Guardianship Assistance Program; funding for a state-level ombudsman to independently investigate and resolve complaints made by or on behalf of children and families involved with children services; and family-finding tools to prioritize the early identification and engagement of kinship caregivers to achieve permanency for children more quickly.

Our child safety and permanency budget request of \$210 million in GRF for each year of the biennium will allow us to maintain current programming, build upon significant investments of the current biennium, and advance investments in accelerated safety analysis, caseworker training, kinship and adoption navigation services, and family finding services. This will complement the federal funding we receive to implement the transformational federal Family First Prevention Services Act, with its focus on prevention services and reduced reliance on congregate care settings.

Family First was adopted in 2018 and will be implemented nationwide by October 1, 2021. The name of the law reflects its vision: A family first for children and teens through quality prevention services. Through dramatic funding changes, Family First puts the focus on prevention and – to the extent possible – keeping children out of foster care and with their families or relatives. It recognizes that often families can provide safe and loving care if given access to needed mental health services, substance abuse treatment or improved parenting skills.

This budget request includes funding for the Kinship Support Program, which was enacted in December by Senate Bill 310. This legislation and Governor DeWine's subsequent executive order require ODJFS to develop a system to pay kinship caregivers no later than June 1, 2021, with payments retroactive to the date the bill was signed. The first round of payments was issued on April 10. We estimate that \$34.5 million in General Revenue Funding will be needed to support these payments in state fiscal year 2022, and \$30 million in state fiscal year 2023. This will ensure that Ohio's kinship caregivers receive the financial supports they need to help the children in their care grow and thrive.

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Priority: Economic Independence

Workforce Development

ODJFS recognizes the importance of job training and work experience programs for able-bodied adults receiving public assistance and those who are unemployed. Employment and training programs help Ohioans develop the skills and knowledge to secure employment and become self-sufficient. It is crucial that ODJFS provide both immediate assistance to Ohioans in crisis and long-term job training and work supports so adults can find and keep jobs.

One of our priority areas of focus is the benefit cliff, through an initiative called the “Benefits Bridge.” As many of you know, the benefit cliff is the abrupt loss of financial assistance when an individual’s income rises – in some cases, just a few dollars or even cents above eligibility thresholds for various programs. Employees can be reluctant to accept pay raises or promotions if doing so will cost them their Child Care or Food Assistance benefit. Accepting the raise could potentially cost them money. This Catch-22 is detrimental not only to individuals’ career advancement and future earnings, but to their employers, as well. The employers lose the opportunity to develop and advance a valuable employee.

To address this problem, in January we embarked on a pilot project to bridge the gap between the benefit cliff and financial stability. The goal of the project is to not settle for a benefit cliff, but to create a *benefit bridge* that can help forge a new path to a better future. Six counties are joining us in this effort: Allen, Fairfield, Hamilton, Licking, Meigs and Stark.

We began by working with the Columbus Foundation on a human-centered design approach, so that we could involve the human perspective in all steps of the problem-solving process. For example, after interviewing former benefit recipients, the design team found that, as these individuals reach a benefit cliff, they frequently lack the knowledge base to make informed decisions to prepare for the change. In addition, they often lack a support system to lean on when unexpected events arise. This can create a cycle of dependency that strategic supports and information could potentially change.

In the first phase of the pilot, we’re testing a strategy called “Compassion Counts.” This involves training staff in empathy and trauma to meet clients where they are, build trust, and provide support to help them achieve economic independence. We’re also working with our local partners to create “Care Teams.” The Care Team approach puts the client at the center of a collaborative team. The team provides benefit support, life skills training, financial literacy help, stability, and – most importantly – a peer mentor who has experienced what they’re experiencing and gone on to achieve economic independence. We’re planning to test additional strategies in early 2022, as well. These include the creation of a Benefit Calculator, which will help individuals plan and prepare for changes in benefits, and Top Up Funding, which will provide assistance for those transitioning off benefits if they experience a life circumstance that could potentially put them back on benefits.

ODJFS oversees Ohio’s registered apprenticeship system, which is called ApprenticeOhio. Ohio ranks second in the nation for the number of registered apprentices, and we often receive accolades for our apprenticeship work. We recently

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heard from an individual currently enrolled in a construction wireman apprentice program. He loves the work, enjoys the combination of hands-on learning and classroom learning at a local community college, and – as a father of three – he appreciates earning a paycheck while he learns. When he completes the program, he'll be a union electrical tradesperson with an associate degree and no student debt.

ODJFS continues to work in partnership with local workforce development boards to provide employment and training services at 22 comprehensive and 66 affiliate OhioMeansJobs centers throughout the state. Individuals can visit [OhioMeansJobs.com](https://ohiojobs.com) or contact their local OhioMeansJobs center to find and apply for job openings, take skill and career interest assessments, create or improve their resumes, and practice interviewing. Employers also can contact the centers – and/or [OhioMeansJobs.com](https://ohiojobs.com) – to find skilled candidates for jobs, screen resumes, and access federally funded tax credits and training programs.

Our workforce services are 100% federally funded. This budget request of more than \$253 million in each year of the biennium for employment and training services will support all of our current work and prioritize Ohio's economic recovery.

Technology Investments

This budget request supports our statewide IT systems, which are the foundation of our services. State and county employees rely on these systems every day to administer vital programs and services across Ohio. The Statewide Automated Child Welfare Information System, Ohio Benefits, the Support Enforcement Tracking System for child support, and [OhioMeansJobs.com](https://ohiojobs.com) are vitally important to maintain and enhance, so that we don't find ourselves in the same situation with them that we did with our unemployment system.

A major lesson reinforced as a result of the pandemic is the importance of the user experience. In the next biennium, we plan to adopt the principles of the InnovateOhio Platform: knowing our customers, prioritizing customer-facing improvements, and ensuring mobility and accessibility. Part of this initiative will focus on aligning with the state's digital experience by transforming information presented on our websites to be more clear and less confusing for Ohioans.

We also plan to reduce the number of applications and streamline the way we use technology, both for a better customer experience and more efficient use of taxpayer dollars. ODJFS still has applications that reside on a mainframe server; we plan to transition from this platform while ensuring that we have the resources in place to adequately serve Ohioans. We also plan to ensure that our technological resources are agile, so that they can be adapted quickly to ever-changing needs.

To meet our technology needs over the next biennium, this budget requests at least \$228 million in each year of the biennium, including more than \$62 million in GRF, for Office of Information Technology charges, software upgrades, Surface devices for state and county users, and related expenses.

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County Allocations

I would like to say a brief word about our county allocations. Ohio is one of a handful of states with a state-supervised, county-administered human services system. County agencies are the backbone of this, and adequate funding for them is necessary to ensure consistent, high-quality customer service and protection. We have prioritized our budget submission to maintain current funding levels to county agencies and to fully distribute all available federal resources. County agencies have been significant partners during the pandemic, in the transition to Ohio Benefits for SNAP and TANF, in the success of our Comprehensive Case Management and Employment Program, and in the launch of the Bridges program for former foster youth. They will continue to be strong partners with the implementation of the Family First Prevention Services Act and Ohio's economic recovery. This budget requests more than \$1 billion in each year of the biennium for county allocations, including \$363.5 million each year in GRF.

In closing, our budget prioritizes the programs and services that we know will be critical over the next two years. In crafting it, we closely examined past spending patterns and the work ahead for every office, understanding that we needed to focus only on the work that was most important to recovery and service delivery. Simply maintaining current service levels will require an increase of more than \$130 million in GRF in SFY 2022. This will allow us to continue the unemployment system improvements that are needed to adequately serve Ohioans.

This request also will allow us to meet child safety and permanency needs; continue support for high-quality child care; continue support for employment and training programs to help Ohioans develop the skills and knowledge they need to secure employment and become self-sufficient; finalize a much-needed modernization of our child support and unemployment systems; and maintain current funding levels to county agencies.

During my six weeks at JFS, I have found the team to be a group of dedicated and professional public servants whose extraordinary commitment is matched to these extraordinary times. I am grateful for the leadership of my friend Kim Henderson, who took Governor DeWine's vision for a more robust JFS in our commitment to kids and families and put Ohio on the path to making improved outcomes the expectation for our child-focused programs.

There is more work to be done in our human services space and especially in our unemployment space, but we are committed to continuing our progress as we focus on recovery and advancement in the next biennium. Thank you again for the opportunity to provide an overview of our budget priorities. I will now be happy to answer any questions.