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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 647
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 647's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Plummer and Young

Local Impact Statement Procedure Required: No

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Highlights

- The Department of Children and Youth (DCY) will likely realize tens of millions of dollars in future savings annually due to the bill's elimination of the requirement to pay publicly funded child care (PFCC) providers based on enrollment by July 9, 2028. Instead, the bill requires payment to continue to be based on a child's attendance, which is the current payment structure.
- The bill reduces GRF line item 830414, Child Care Cred Program, by \$5.0 million in FY 2026, under DCY's budget.
- The bill also increases DCY GRF line item 830420, Community Projects and Assistance, by \$2.0 million in FY 2026 and \$3.0 million in FY 2027, to be used to support enhanced data analytics in order to conduct automated attendance reviews of PFCC providers.
- The Attorney General's Office (AGO) will incur unbudgeted costs to establish a new operational section to investigate criminal or civil violations connected to the child care law and PFCC program. The magnitude will depend on staffing levels, case volume, and the complexity of those cases, and will be funded through a mix of existing operating funds from both GRF and non-GRF sources. No appropriation is made by the bill for this purpose.
- Local criminal justice system caseloads (particularly for the prosecuting attorneys and the courts) will likely be impacted by the bill, especially if additional child care fraud complaints result.
- If the bill results in more convictions for certain criminal offenses, it is possible that additional offenders could be sentenced to jail (misdemeanors) or prison (felonies). The

total number of new commitments annually for either a county jail or for the Department of Rehabilitation and Correction is likely to be minimal.

Detailed Analysis

The bill makes various changes regarding the publicly funded child care (PFCC) program, adjusts appropriations for the Child Care Cred Program, and appropriates funds for a data analytics project to perform automated attendance reviews of PFCC providers. These provisions are discussed in detail below.

Payments based on attendance versus enrollment

This bill eliminates the July 9, 2028 deadline to transition to enrollment-based payments and specifically requires the Department of Children and Youth (DCY) to base its payment calculations on attendance. The bill also specifically prohibits providers from knowingly seeking or accepting payments for a child not in attendance with the provider. Current law prohibits providers from seeking or accepting payments for a child not enrolled with the provider.

Fiscal impact

Enrollment-based payments pay providers for a child's care even if the child is absent. As a result, transitioning to a system based on enrollment increases provider payments, all other things held equal. Eliminating this requirement would likely result in a decrease in future PFCC costs in the tens of millions of dollars annually. According to data from DCY, over 141,000 children received PFCC in FY 2024.

In recent years, several federal rules and state legislation have addressed enrollment-based PFCC payments. These are briefly summarized below.

Federal rules

The 2024 Child Care and Development Fund (CCDF) Final Rule under the U.S. Department of Health and Human Services Administration for Children and Families (ACF) required all states to provide PFCC payments to providers based on a child's enrollment. However, states were able to request a temporary waiver for additional implementation time. Ohio received a waiver through August 1, 2026. In August 2025, ACF announced that states could request an extension through August 1, 2028, if needed. Finally, in January 2026, ACF proposed a new rule that rescinds the requirement to pay based on enrollment.¹

State legislation

H.B. 96 of the 136th General Assembly required payments to be calculated based on a child's enrollment by July 5, 2026, to meet the requirements outlined in the 2024 rule described above. However, once ACF allowed states to request waivers, H.B. 184 of the 136th General Assembly extended this deadline to July 9, 2028. Until that date, it is likely that DCY will continue to calculate payments based on attendance. Former law, prior to the enactment of H.B. 96, required payments to be calculated based on a child's attendance.

¹ [Proposed rule](#) on the CCDF can be found by conducting a keyword "child care" search on the Federal Register's website, [federalregister.gov](https://www.federalregister.gov).

Child Care Cred Program and data analytics appropriations

The bill reduces GRF line item 830414, Child Care Cred Program, by \$5.0 million in FY 2026. This line item received a total of \$10.0 million in FY 2026 in H.B. 96 of the 136th General Assembly for the program, which allows the costs of child care to be shared by participating employees, employers, and DCY. Subject to available funds, DCY is responsible for 20% of the cost share under the program. Eligibility requirements include that the participating employee's family income cannot exceed 400% of the federal poverty level and that the child care provider must be licensed or certified.

At the same time, the bill increases GRF line item 830420, Community Projects and Assistance, by \$2.0 million in FY 2026 and \$3.0 million in FY 2027, to be used to support enhanced data analytics to conduct automated attendance reviews of PFCC providers.

Fiscal impact

Expenditures in line item 830414 are not anticipated to be fully expended in FY 2026. As a result, there should be no impact to the Child Care Cred Program with this appropriation decrease.

Misusing public funds or acting with intent to commit fraud

The bill permits DCY to suspend or terminate a provider's contract to provide PFCC if DCY has reason to suspect the provider engaged in the misuse of public funds or acted with intent to commit fraud against the PFCC program. The bill also allows DCY to suspend a child care provider's license, without a prior hearing, when it has reason to suspect that a child care center or family child care home owner, licensee, administrator, employee, or resident engaged in the misuse of public dollars or acted with intent to commit fraud against the PFCC program.

Fiscal impact

Currently, DCY can recoup all improper payments due to misuse of PFCC or terminate the provider agreement if DCY determines misuse of PFCC or the automated child care system. However, a termination results in a five-year ban from the program. As a result of the provisions above, a provider's contract to provide PFCC will be able to be suspended or terminated, or a provider's license will be able to be suspended while an investigation is ongoing. As a result, this could result in a decrease in PFCC reimbursements during the investigation.

There are about 5,200 state-funded child care facilities in Ohio.² Licensing and monitoring activities for child care centers are conducted by DCY staff, while county departments of job and family services (CDJFSs) conduct these activities for family child care homes.³ In FY 2025, DCY and CDJFSs conducted nearly 20,000 inspections of all provider types, including preschool and school age child care programs.

² [Governor's News Release on PFCC Anti-Fraud Measures](#), which can be accessed by doing a "anti-fraud news release" keyword search on the Governor's website: governor.ohio.gov.

³ [FY 2025 Early Care and Education Licensing \(PDF\)](#), which can be found by conducting a keyword "data reporting" search on DCY's website: childrenandyouth.gov.

Dual authorizations

The bill revises the law regarding dual authorizations to specify that a caretaker parent must receive PFCC only from one provider, unless an exemption is granted by the CDJFS. The bill specifies that an exemption is granted on a temporary basis and eliminates an existing exemption available for care needed during nontraditional hours. Additionally, the existing exemption for a child to change providers in the middle of the week is limited to a period not more than one week.

Fiscal impact

It is possible that these changes could reduce PFCC payments if any dual authorizations are eliminated. Additionally, CDJFSs may experience minimal administrative costs if any training is necessary to inform staff of these changes.

Attorney General – criminal and civil actions

The bill requires the Attorney General’s Office (AGO), under certain circumstances, to investigate any criminal or civil violation of the child care law or the PFCC program. Under the bill, the AGO must investigate suspected violations when the Office becomes aware of criminal or improper activity, or upon a written request from the Governor, the General Assembly, the Auditor of State, the DCY Director, or the Director of Budget and Management. If evidence suggests there is cause for prosecution or civil action, the AGO may refer the evidence to the appropriate prosecuting attorney, a regular or special grand jury, or may directly initiate and prosecute any necessary criminal or civil actions in any court of competent jurisdiction. The bill clarifies that these provisions do not preclude county prosecutors from investigating and prosecuting criminal activity related to the PFCC program.

Fiscal impact

Under the bill, expenditures for the AGO will increase to investigate these violations and to take legal actions. To comply with the bill’s requirements, representatives of the AGO anticipate creating a new operational section within the Office dedicated to this new work. Actual costs will depend on the case volume and complexity of those cases. Costs will be funded through a mix of operating funds from both GRF and non-GRF sources. The bill does not provide supplemental appropriations to cover these expenses. Staffing needs will be commensurate to case volume, which is uncertain.

At the local level, counties could experience minimal savings if the AGO assumes responsibility for investigating and prosecuting violations of child care laws or the PFCC program. However, this outcome appears unlikely, as criminal referrals to county prosecutors are uncommon under current law and practice. The Ohio Prosecuting Attorneys’ Association (OPAA) notes that such cases have been “extremely rare,” and if filed, the criminal charges could encompass theft, telecommunications fraud, tampering with records, identity fraud, or more general licensing violations. Counties might also incur minimal costs to process (investigate and possibly prosecute) a small number of additional cases resulting from AGO investigations. If the Attorney General prosecutes, cases will likely be filed in Franklin County, consistent with common practice for Medicaid fraud, even though the statute does not specify a venue. If the case is referred for local prosecution, it will likely be filed within that county. Overall, the number of additional court cases will likely be minimal in comparison to current caseloads.

If the bill results in more convictions for certain offenses, it is possible that additional offenders could be sentenced to jail (misdemeanors) or prison (felonies). Such increases in detention costs would likely be marginal for any individual county or for the Department of Rehabilitation and Correction (DRC). The average cost per bed for full-service jails as reported in July 2024, is \$93.70 per day. The marginal cost for DRC to add a small number of offenders to its inmate population is \$13.47 per day, or approximately \$4,917 per year. Marginal costs are those that change directly on a per-person basis with fluctuations in prison population and include expenses such as medical care, food service, clothing and bedding, and mental health services. The total number of new commitments annually for either a county jail or for DRC is likely to be minimal.