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Office

H.B. 647
(1_136_3186-1)
136th General Assembly

Fiscal Note & Local Impact Statement

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

Version: In House Children and Human Services

Primary Sponsors: Reps. Plummer and Young

Local Impact Statement Procedure Required: No

Jacquelyn Schroeder, Senior Budget Analyst, and other LBO staff

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.
- PFCC payments may be impacted by several of the bill's requirements, including changes regarding backdating attendance, recognized absent days, and withholding payment in instances of fraud or misuse of public funds.
- The Inspector General (IGO) would incur additional GRF costs up to \$500,000 for investigating any requests made by the DCY Director concerning criminal or improper activity related to the child care law or the PFCC program. No appropriation is made by the bill for this purpose.
- The Attorney General's Office (AGO) will incur unbudgeted costs to establish a new operational section to prosecute 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. 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 would 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).

Backdating attendance

The bill generally limits the backdating of a child's attendance record to the time period that is the later of the following: ten business days or 14 calendar days of the date that PFCC was provided. However, DCY is authorized to approve backdating a child's attendance record within 30 days of the date that PFCC was provided or scheduled to be provided if that backdating relates to either (1) a documented emergency or extenuating circumstance beyond the provider's or caretaker parent's control, or (2) the 30-day period during which PFCC may be provided when a caretaker parent is seeking employment or participating in employment orientation or other activities in anticipation of education or training.

Fiscal impact

The bill's changes may reduce PFCC payments to providers by an unknown magnitude, as backdating is currently generally permitted within four weeks of attendance. Publicly operated child care providers could experience an increase in costs to inform caretaker parents of this change and to ensure prompt attendance recording.

Absent days

The bill specifies that all of the following apply to DCY's calculation of payments for PFCC based on a child's attendance, beginning July 1, 2027: (1) that DCY must recognize as an absent day any day that the child is authorized and scheduled to be in the care of a PFCC provider but does not receive the care as authorized, including when the child attended for part of the day but needed to leave, (2) that DCY is prohibited from paying a PFCC provider for an absent day before the child's actual, initial attendance, (3) that DCY is prohibited from recognizing a full-time plus authorization, and (4) that DCY must allow a PFCC provider to use an eligible absent day when care cannot be provided due to an emergency or other circumstance beyond the provider's control preventing the provider from operating on a day that the child was authorized and scheduled to receive care.

Fiscal impact

Currently, a provider can be paid for up to 20 absent days during a six-month period. If a child is authorized for full-time care, the value of an absent day is eight hours. If a child is authorized for part-time or hourly care, the value of an absent day is five hours. An absent day is defined as any day that a child is authorized and scheduled to be in the care of the provider, but is not in attendance, and child care would have been provided had the child been present with the provider. Additionally, an absent day is not to be paid prior to actual attendance at the authorized program. DCY amended administrative rules due to H.B. 96 of the 136th General Assembly to remove full-time plus authorization effective November 2, 2025; thus, the bill's related prohibition should not have any fiscal impact. Any other impacts will depend on how the absent days are currently allowed versus the allowances under the bill.

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 evidence demonstrates the provider knowingly engaged in the misuse of public funds or acted with intent to commit fraud against the PFCC program. The bill also allows DCY to withhold payment from a provider if evidence demonstrates that, in the case of a child or children, the

provider is knowingly engaging in the misuse of public funds or acting 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 could 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.

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 DCY or its designee. The bill specifies that an exemption is granted on a temporary basis and eliminates an existing exemption available for care needed during nontraditional hours. However, the bill adds an exemption in the instance where a child's need cannot be met by one provider without impacting the family's education, employment, or training schedule. 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, DCY or its designee may experience minimal administrative costs if any training is necessary to inform staff of these changes.

Investigations and prosecution

The bill requires the Inspector General (IGO), upon becoming aware of criminal or improper activity related to the child care law or the PFCC program or upon request from the DCY Director, to coordinate with the Director to determine the appropriate course of action. If it is determined that an investigation is appropriate, the IGO must conduct the investigation. If the investigation yields evidence of criminal or improper activity, the IGO must share the evidence with the appropriate prosecuting attorney, and if the prosecuting attorney decides not to take action, with the Attorney General (AGO).

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.

Fiscal impact

The IGO would incur costs for conducting full PFCC investigations, as well as some minor administrative costs for referring cases. The Office anticipates approximately 20 to 25 cases each year being referred for evaluation. If all referred cases proceed to a full investigation, the IGO could incur up to \$500,000 in additional annual GRF operating costs to hire and retain sufficient staffing and meet the demands of these investigations.

Expenditures for the AGO will also increase if legal actions are pursued as a result of cases referred from the IGO if a local prosecutor has not taken action. 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 either the IGO or AGO to cover these expenses. Staffing needs will be commensurate to case volume, which is uncertain.

As a matter of practice, it is uncertain how current caseloads for local courts and investigating agencies could be impacted by the bill. 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. Presumably, the AGO would pursue similar charges under the authority given to them by the bill. Counties might also incur minimal costs to process (investigate and possibly prosecute) a small number of additional cases resulting from IGO investigations. If the AGO 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.

Synopsis of Fiscal Effect Changes

The substitute bill, I_136_3186-1, removes a provision that decreased GRF line item 830414, Child Care Cred Program, by \$9.4 million in FY 2026 and established an appropriation of \$4.4 million in FY 2027. Thus, with the removal, these appropriation changes will not be realized. The program will remain funded with a total of \$10.0 million in FY 2026 as provided in H.B. 96 of the 136th General Assembly. The Child Care Cred Program allows the costs of child care to be shared by participating employees, employers, and the Department of Children and Youth (DCY).

Additionally, the substitute bill removes a provision that increased GRF line item 830420, Community Projects and Assistance, by \$2.0 million in FY 2026 and \$3.0 million in FY 2027, along with a requirement that these funds be used to support enhanced data analytics to conduct automated attendance reviews of PFCC providers.

The previous substitute bill, I_136_3000, generally limited the backdating of a child's attendance record to the time period that is within seven calendar days of the date that publicly funded child care (PFCC) was provided. The new substitute bill instead generally limits the backdating of a child's attendance record to the later of the following: ten business days or 14 calendar days of the date that PFCC was provided. Both substitute bills' changes would likely reduce PFCC payments to providers by an unknown magnitude, as backdating is currently generally permitted within four weeks of attendance. However, the new substitute bill (I_136_3186-1) would reduce payments less than the previous version since the time period is increased.

Under the previous substitute bill, the Inspector General (IGO) was required, under certain circumstances, to investigate suspected violations of the child care law or the PFCC program when the Office became 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. The new substitute bill instead requires the IGO, upon request of the DCY Director or when the Office becomes aware of criminal or improper activity, to coordinate with the DCY Director to determine the appropriate course of action. That course of action may include an investigation by the IGO, but only after the Director and the IGO determine that such an investigation is appropriate. The Office anticipates approximately 20 to 25 cases each year being referred for evaluation. To manage this workload, the IGO expected GRF expenditures to increase by about \$500,000 annually to hire and retain staff. Actual costs potentially may be lower under the new substitute bill, depending on how many referred cases are ultimately determined to require full investigation, though annual costs could still reach \$500,000.

The new substitute bill also requires the IGO to first share credible evidence of criminal or improper activity (including waste, fraud, and abuse) with the appropriate prosecuting attorney and with the Attorney General (AGO) only if the prosecuting attorney decides not to take action. The previous substitute bill authorized the IGO to refer evidence to the prosecuting attorney, an impaneled grand jury, or the AGO. LBO assumes that this change will not dramatically change the number of cases ultimately referred to the AGO, thus the fiscal effect for prosecution is unchanged.