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H.B. 647
(I_136_3000)
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

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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 \$9.4 million in FY 2026 and establishes an appropriation of \$4.4 million in FY 2027, under DCY's budget.
- 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 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, and requires up to these amounts be used to support enhanced data analytics in order to conduct automated attendance reviews of PFCC providers.
- The Inspector General (IGO) would incur costs for investigating any requests made by authorized entities concerning criminal or improper activity related to the child care law or the PFCC program. The cost for these investigations would be covered under existing GRF appropriations. 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, 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

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).

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.

Backdating attendance

The bill generally limits the backdating of a child's attendance record to the time period that is within seven 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.

Child Care Cred Program and data analytics appropriations

The bill reduces GRF line item 830414, Child Care Cred Program, by \$9.4 million in FY 2026 and establishes an appropriation of \$4.4 million in FY 2027 (thereby reducing the total biennial appropriation for the program by \$5.0 million). 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. The bill requires up to \$2.0 million in FY 2026 and up to \$3.0 million in FY 2027 from this line item to be used to support enhanced data analytics to conduct automated attendance reviews of PFCC providers.

Fiscal impact

The appropriation made in H.B. 96 in line item 830414 is not anticipated to be fully expended in FY 2026. As a result, there should be no impact to the Child Care Cred Program during this fiscal year with this appropriation decrease. The \$4.4 million appropriation in FY 2027 will allow the program to continue during the second year of the biennium.

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

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.

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.

Criminal and civil actions

The bill requires the Inspector General (IGO), under certain circumstances, to investigate any criminal or civil violation of the child care law or the PFCC program. Under the bill, the IGO 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 IGO may refer the evidence to the appropriate prosecuting attorney, a regular or special grand jury, or the Attorney General (AGO). The bill clarifies that these provisions do not preclude county prosecutors from investigating and prosecuting criminal activity related to the PFCC program.

Fiscal impact

The IGO would incur costs for conducting full PFCC investigations, as well as some minor administrative costs for referring cases. Expenditures for the AGO will also increase to take legal actions, to the extent cases are referred from the IGO. 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

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.

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_3000, generally limits 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. However, the Department of Children and Youth (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 under certain circumstances. The substitute 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.

The substitute bill also makes several changes regarding recognized PFCC absent days that were not included in the As Introduced version of the bill. Current rule allows a provider to be paid for up to 20 absent days during a six-month period in which a child is authorized and scheduled to be in the care of the provider but is not in attendance. 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. Any impacts will depend on differences between the bill's absent day allowances and current recognized absent days.

The As Introduced version of the bill decreased GRF line item 830414, Child Care Cred Program, by \$5.0 million in FY 2026 (H.B. 96 of the 136th General Assembly provided a \$10.0 million appropriation in FY 2026 only). Instead, the substitute bill changes the FY 2026 appropriation to \$600,000 in FY 2026 and \$4.4 million in FY 2027. The appropriation made in H.B. 96 in line item 830414 is not anticipated to be fully expended in FY 2026. As a result, there should be no impact to the Child Care Cred Program during this fiscal year with this appropriation decrease. The \$4.4 million appropriation in FY 2027 will allow the program to continue during the second year of the biennium.

The As Introduced version of the bill allowed DCY to suspend, without a prior hearing, the license of a child care provider if DCY had reason to suspect that the provider engaged in the misuse of public dollars or acted with intent to commit fraud against the PFCC program. The substitute bill removes this provision; thus, any impacts will no longer be realized. Additionally, the substitute 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. This provision may decrease PFCC payments, depending on the number of instances and the scope of each.

The As Introduced version of 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, and requires these funds to be used to support enhanced data analytics to conduct automated attendance reviews of PFCC providers. The substitute bill changes the earmarking language to require “up to” \$2.0 million in FY 2026 and “up to” \$3.0 million in FY 2027 for these purposes.

The substitute bill makes changes to the investigations and prosecutions provisions that were in the As Introduced version. Under the substitute bill, certain entities may request that the Inspector General (IGO) investigate violations of child care law or the PFCC program, instead of the Attorney General (AGO). The substitute bill also establishes duties the IGO must take once an investigation is requested and authorizes the IGO to refer evidence for prosecution when there is reason to suspect a violation. Due to these changes, the IGO will incur these investigatory costs instead of the AGO. However, under both versions, evidence may still be referred to a prosecuting attorney, a regular or special grand jury, or the AGO for criminal prosecution or pursuit of a civil remedy, thus the fiscal effects related to prosecution remain unchanged.