



MEMORANDUM: Building a Stronger Foundation for Child Care in Ohio

From: Children's Defense Fund-Ohio

Date: December 22, 2020

Ohio's child care sector has always been a driver for our state's economy, a stabilizing necessity for working families (especially mothers), and a cornerstone of our children's healthy early development, growth, and learning. However, it is a sector that has suffered decades of disinvestment, and the cracks we saw in this system's viability before COVID-19 have become even wider gaps in the wake of it.

We have the opportunity to address these gaps and make fundamental changes to our child care system. We understand K-12 education to be a public good, and that should also be a collective understanding we share in the early care and education space.

In the past year especially, we are seeing the consequences of a child care system that is unaffordable and inaccessible: for instance, in a report published in March, before the pandemic, it was estimated that [the lack reliable child care for working parents of young children 0-3 has cost our state \\$1.7B](#).

Below, we have outlined key issues and recommendations that we believe provide a roadmap towards a stronger child care system in Ohio in the long-term for all Ohio's children:

Support working families to access and afford quality care through financial assistance and subsidy

Ohio now has the second lowest income eligibility threshold in the country – behind only Indiana. Although [70%](#) of all Ohio children age 5 and younger have all available parents in the workforce, many of their families do not have access to affordable care that is high quality and matches their family's needs and preferences. To address this, we must first take action to reform policies related to cost and eligibility. A stronger child care system must also be supported by greater public investment to ensure equitable access to quality care for all Ohioans, especially those historically underserved.

- **Expand income eligibility for subsidy to 200% FPL.** Ohio's publicly funded child care (PFCC) has one of the lowest income thresholds in the country at 130% FPL (a family of three making

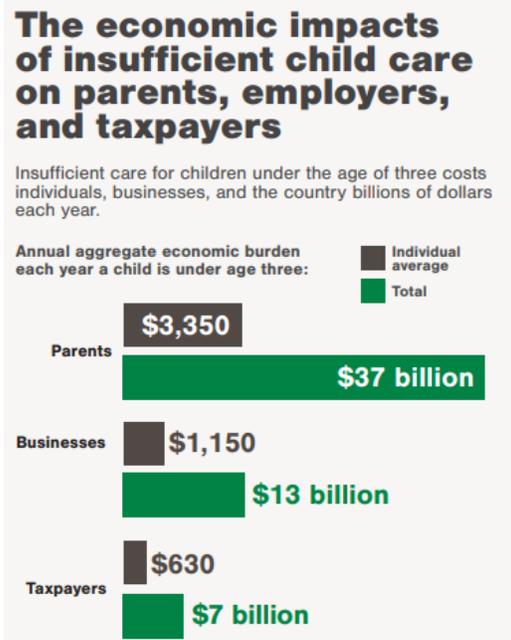
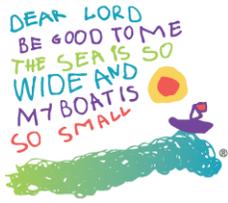


Figure 1 Credit: Ready Nation: Council for a Strong America report, "Want to Strengthen Ohio's Economy? Fix the Child Care Crisis" (March 2020)



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\$28,236 a year or less), and this limits the number of families who can access this program. Public preschool has a higher eligibility threshold (200% FPL), but only offers services for 12.5 hours a week, forcing working families to supplement the program with other child care arrangements. [According to a 2019 report, raising eligibility to even 150% FPL from the current 130% would mean that 67,400 additional children could receive a subsidy in an average month, 8,600 more mothers would be able to join the workforce, and 12,100 children could be lifted out of poverty.](#)

- Michigan expanded their income eligibility from 130% to 150% during this year's budget deliberations ([see more investments made in the child care sector in the Michigan budget here](#)).
- **Expand eligibility for parents to receive child care assistance while searching for a job beyond Ohio's current 13 weeks.** Children have greater stability if they can remain in the same child care arrangement without disruption when their parent loses employment. Decoupling subsidy eligibility from workforce participation is essential to helping families deal with the pandemic now – and in the long-term will further increase access for families.
- **Develop innovative approaches to promote subsidy awareness and ensure equitable access.** Research from [CLASP](#) shows that nationally only 8%-12% of children who are eligible actually receive subsidized care. In Ohio, as of 2017, only 91,063 children ages 0-4 were served by PFCC or public pre-school, representing just 38.2% of children eligible. This could mean campaigns for [parent awareness and outreach](#) (using mobile apps for instance) and/or eliminating stigma, like [Maryland](#) did by changing the word “subsidy” to “scholarship”. Another key component of this is simplifying the application process and removing barriers to enrollment.

Protect Ohio's child care capacity by improving operational support for providers and their ability to recruit and retain child care workers

COVID-19 has decreased revenues for child care providers and increased their costs to provide care. The [Center for American Promise](#) estimates that the true cost of high quality care has increased by 47% during the pandemic, and this severely threatens Ohio's child care capacity and may cause many providers to close their doors. In [a 2020 survey of child care providers in central Ohio](#): monthly revenue does not cover costs for 2/3 of providers; overall enrollment is at 54% of capacity; and 1/3 of centers are experiencing staff shortages.

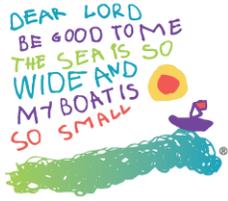
- **Raise reimbursement rates to the federally recommended level.** Child Care and Development Fund (CCDF) rates are recommended to be set at the 75th percentile (covering 75% of child care provider costs). In Ohio's last budget, the base reimbursement rate threshold was raised to 25%.
 - [Conduct a cost of quality study to establish a cost estimation model for Ohio.](#) Ohio needs to move away from the “market rate” approach and use an alternative methodology to set payment rates. This means basing child care funding policies on the true cost of quality care which reflects what children need, rather than a market rate of what families and communities can afford. Setting subsidy payments based on actual operating costs that are fixed – like rent and utilities – would more sufficiently



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reimburse programs; therefore, encouraging more programs to accept subsidies and allowing such programs to pay teachers more.

- Create a tiered reimbursement system for providers with high operating costs – such as infant and toddler providers. The majority of child care providers charge more for infant care than states' payment rates, limiting access to care for families. (Tennessee did this in 2019, by increasing reimbursement rates by 35% for infant and toddler care and 20 percent for preschool and school-age care, targeting providers who served high needs populations in their [Child Care Certificate Program](#).) (See also [Georgia's Quality Rated Subsidy Grant program](#).)
- Pay providers based on enrollment. Child care programs employ staff and incur expenses based on enrollment, not attendance.
- **Expand support for child care workers to develop professionally.** To retain and recruit the workforce our child care system needs, we need to enable workers to develop professionally through policies such as expanding scholarships, tuition forgiveness, offering flexible credential systems, and removing barriers to educational attainment in community colleges and 2- and 4-year institutions.
 - Two good examples in Ohio to build off of this concept that are innovative in their use of Workforce Innovation and Opportunity Act (WIOA) dollars are Power Ohio and T.E.A.C.H. Early Childhood Ohio scholarship program. The T.E.A.C.H. scholarship program had a 94% retention rate and saw 8% average annual wage increases per employee who participated. Worker retention also saves child providers on administrative, recruitment, and training costs.
- **Raise the wages of child care workers.** The average national wage for this majority female workforce (disproportionately Black women) is \$11.17 per hour (in-home providers often make much less), many do not have health insurance, and many are likely to be utilizing at least one federal assistance program for their families. The [median annual wage](#) for a child care worker in Ohio is \$20,820. Poor wages lead to high turnover ([1 in 4 ECE professionals leave their job each year in Ohio](#)) and also challenges recruiting credentialed staff. Turnover is costly for providers – one study estimates that the average cost of turnover for a position earning less than \$30,000 is [16%](#) of that employee's annual salary.
 - Implement a statewide minimum/living wage increase. This is not child care specific – but is worth noting here. Any wage increases must be paired with a commensurate boost in reimbursement rates to ensure providers can cover these costs without losing solvency.
 - Institute [salary parity policy for early childhood educators with the same or similar education requirements and job responsibilities to K-12 teachers](#). This would likely require securing public investment specifically for early educators' compensation and benefits.



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Address the issue of “child care deserts” by increasing the availability of child care centers

In [Ohio](#), 39% of families live in a “child care desert”. About 2/3 of Ohio parents have reported that finding affordable quality child care is a problem in their area – in fact, in Ohio, there are more than 4 children under age three for each licensed child care slot making many Ohio communities “infant-toddler care child care deserts” in particular.

- **Foster Head Start – Child Care partnerships to support center and home-based care by prioritizing rural areas for investment.** Children in rural communities are less likely to have child care options – in fact, 60% of rural children live in “child care deserts”. Children in rural areas are also less likely to live near public preschool programs – however, more centers in rural areas are likely to receive funding through Head Start or public preschool.
- **Raising reimbursement rates will help equalize access to care and can help address child care availability, too.** Child care provider costs in Ohio exceed reimbursement rates from Child Care and Development Fund (CCDF) payments – meaning most providers lose money when accepting children on subsidy unless they require copayments. Many Ohio parents pay for subsidizing state-funded children so child care providers can break even (or close to it). When providers are unable to cover these costs, there are fewer child care opportunities for families – thereby the need outstrips the supply of licensed child care.
 - *Offer incentives to provide equal access to child care in these areas of Ohio.* In 2019, [Tennessee](#) added a 15% bonus to child care payment subsidy rates to counties identified as distressed or as child care deserts. These types of incentives can also be used to provide bonuses to centers that service a certain number of families who benefit from subsidy programs and face greater challenges to obtaining care for the children as well as to centers that offer flexibility in the hours of their operations for high quality care to help parents with non-traditional work schedules.
- **Carve out dedicated capital resources to create greater availability of child care facilities. Ohio invested \$10 in this area in the last biennium.**
 - Minnesota’s [H.F. 3497](#) is a good example as it would have funded the construction of child care facilities through a new capital grant program (though this had broad bipartisan support it was unfortunately put on the backburner when the pandemic hit).
 - Iowa enacted [H.F. 2629](#) in 2020 (a bill relating to the Future Ready Iowa Act (workforce development initiative created by governor)) which created the Child Care Challenge Fund within the Employer Innovation Fund, a matching grant program to help with the construction, renovation or remodeling of child care facilities.