



**Ohio House of Representatives Finance Committee
Ohio Department of Job and Family Services
Executive Budget Recommendations for SFY 2022-2023
Kimberly L. Henderson, Director
February 10, 2021**

Good morning, Chairman Oelslager, Vice Chair Plummer, Ranking Member Crawley and members of the committee. I am Kimberly Henderson, 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, we have touched many more than that – many more than we ever imagined.

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. And, of course, we partner with the General Assembly. Your support makes it possible for us to draw down federal dollars and provide critical services to Ohioans. We are extremely grateful for your past support.

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

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ODJFS into the forefront of Ohio's response effort. Over the past year, we have experienced a record-breaking demand for services.

First, we had 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 quickly 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 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.

Despite these immediate challenges, ODJFS has persevered with its longer-term focus on the federal Family First implementation efforts, Benefits Bridge research and internal strategic planning. Children services transformation efforts also have continued. 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 three areas of focus. I welcome the opportunity later to respond to your questions.

Priority #1: 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, we have distributed additional payments to Ohioans in the Supplemental Nutrition Assistance Program, or SNAP, to ensure that their households received the maximum amount possible for the month. Each time, we distributed approximately \$80 million to an average of 470,000 households.

We also have distributed Pandemic Electronic Benefit Transfer, or P-EBT, payments to Ohio children who normally receive free or reduced-price meals through the National School Lunch Program. The first time, last spring, we provided benefits to approximately

850,000 children. The second time we distributed benefits for children doing either remote or hybrid learning in August and September, and in November we received federal approval to issue P-EBT benefits for the remainder of the school year. We 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 these efforts, ODJFS has issued more than \$1 billion in additional food benefits to Ohio's families and children.

Child Care

Quality child care has remained a priority throughout this emergency. During Ohio's Stay at Home order last spring, we 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 23 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, and child care centers must achieve high ratings 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. I also would like to mention that publicly funded child care represents the largest portion of Ohio's TANF budget, at almost \$400 million annually. Ohio also 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 more than \$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 #2: Safe Children

Another key priority for our agency is safe children. When it comes to ensuring children's safety, the pandemic created an unfortunate situation. The number of abuse and neglect reports declined, but that wasn't because abuse and neglect declined. It was because children weren't physically present in schools, where teachers, who are mandatory child abuse and neglect reporters, can more easily spot the warning signs. As a result, early into the Stay at Home Order, we worked with the Ohio Department of Education to provide awareness resources for teachers to use during remote learning, to help them stay vigilant even when not physically present with children.

We also have provided significant guidance to local agencies to help them manage both in-person and virtual visitations with children and families. In addition, our Office of Children Services Transformation has partnered with the Ohio Child Care Resource and Referral Association to host biweekly Virtual Neighborhood Connection Forums for nonprofit and community organizations that provide resources and supports to children and families.

Children's services remains a priority for both ODJFS and this administration. The last biennial budget allocated an additional \$111 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 for that investment. Because of the opioid epidemic, thousands of Ohio children are not able to live with their families 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 – and I believe – that as a state, must give our most vulnerable children the opportunities they deserve to succeed and to live fulfilling lives. That is why he made it a priority to reform Ohio's foster care system and, shortly after being sworn in as Governor, he signed an executive order to elevate foster care in Ohio. He also created the Children Services Transformation Advisory Council, whose members traveled across the state to hear individuals tell their stories about their experiences with

the children services system. The testimony of hundreds of individuals informed the council's final report, which was issued in November.

The council's report and recommendations represent a collective vision for a children services and foster care system that promotes safety, permanency and well-being by strengthening families and communities. This vision depends on a public and private continuum of care that prioritizes children's existing networks and requires sensitive consideration of their diverse racial, cultural and economic identities. We are committed to maintaining these goals so we can achieve a thriving future for Ohio's children. We also are committed to supporting not only the foundation of good practice, such as assessment and visitation, but also innovative programming that achieves better outcomes for children and families.

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.

This budget request includes funding for the Kinship Support Program, which was authorized 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. 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.

Priority #3: Economic Independence

Workforce Development

A third priority of the agency is economic independence. 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." We are actively working to identify strategies that can better help

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families transition from assistance to economic independence. Employment and training services will be the epicenter of the recovery efforts for Ohio citizens and businesses.

I have been encouraging our employees to think of ODJFS as Ohio's opportunity agency – because a major part of our work is helping individuals reach their greatest employment potential. We have multiple initiatives under way in this arena, to help spur the economic recovery of individual Ohioans, our communities and the state as a whole. For example, we applied for and received an \$8.5 million National Dislocated Worker Grant to assist unemployed workers and employers impacted by COVID-19. We have a program called the Comprehensive Case Management and Employment Program, which helps 14- to 24-year-olds build career paths, find employment, and break the cycle of poverty. We also launched a new program early in this administration called the Community College Acceleration Program. This is a partnership between community colleges and local JFS agencies to support individuals receiving food assistance who are working toward a college degree.

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 applied for and received a three-year \$9.4 million federal grant to expand the number of apprenticeship opportunities available for Ohioans.

We continue 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.

During the last recession, many of those we served were displaced manufacturing workers. This time, we are serving not only displaced manufacturing workers, but also large numbers of service workers: restaurant workers, cab drivers, direct service professionals and others affected by business adjustments and industry shifts as a result of the pandemic.

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.

Unemployment

The pandemic transformed every unemployment program in the nation. Last spring, astronomical claim filing paralyzed the program. In the space of a week, our weekly call volumes jumped from 20,000 to 500,000, and the number of claims increased by nearly 2,700%. To make matters worse, when the pandemic began, Ohio's unemployment

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claims were at their lowest in decades, which 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. This left us unprepared for the unexpected crush of claims as a result of our response to the pandemic.

If you think of our unemployment office as a vessel and unemployment claims as water inside that vessel, our vessel size was greatly expanded during the 2008 recession, to accommodate the larger claims load, but then dramatically reduced by 2019 because we had so many fewer claims. Our vessel was the perfect size for our claims load until March 2020, when thousands of Ohioans suddenly became unemployed. Virtually overnight, our vessel began overflowing.

Since March, we've had 3.6 million claims filed, which is more than the number of claims filed during the previous three peak recession years – 1991, 2002 and 2009 – combined. Crisis management led to innovative solutions involving public-private partnerships, contracting for expertise and technical improvements. For example, we expanded our call center hours to seven days a week, hired additional staff, boosted our server capacity to handle the massive online claims traffic, and implemented new technology, such as an option that allows those with simple claims to file their weekly claims via text, with their mobile phones.

These measures have helped, but not to the degree needed. We know that you are hearing from constituents about their difficulties with claims, problems getting through to our call center and other issues. These are not acceptable service levels for an agency whose very mission is to assist those in need. I want you to know that our continuous improvement efforts are an ongoing process, and we thank you for your support.

As I'm sure you're aware, we recently enlisted the help of a Public-Private Partnership Team, made up of highly-skilled experts on loan from some of Ohio's top banking and insurance companies. They have generously agreed to provide recommendations and solutions to improve our call center, claims process 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.

The antiquated technology of our benefit system and call center have 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 Pandemic Unemployment Assistance (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 that utilizes the Microsoft Azure infrastructure. 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 delays due to our priority focus on current system enhancements, our goal is for the new system to be ready in 2022. This budget includes over \$10 million in each year of the biennium to pay for the costs of system construction and maintenance.

In addition, Ohio is borrowing from the federal government to meet our unemployment insurance benefit obligations. Current regulations are deferring the accrual of interest until March 14, 2021, and additional extensions are under consideration in Congress. Unless interest is deferred for the full federal fiscal year, the first annual interest payment will be due September 30, 2021. This amount is not included in this budget submission. Discussion is needed on how to address the interest payment, pending the collection of an 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.

Closing

Technology Investments

I would like to mention that 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 are vitally important to maintain and enhance.

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

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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.

County Allocations

I also 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 system; and maintain current funding levels to county agencies.

I am proud of the accomplishments achieved during this biennium, and 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.