



Lynanne Gutierrez
Policy Director & Legal Counsel
lwolf@groundworkohio.org
mobile: 614-204-6106
172 E. State Street, Suite 400
Columbus, Ohio
43215

**Ohio House of Representatives
Finance Subcommittee on Health and Human Services
FY2020-2021 Operating Budget
Groundwork Ohio
Lynanne Gutierrez, Policy Director & Legal Counsel
April 10, 2019**

Good Afternoon, Chairman Romanchuk, Ranking Member West and members of the committee. I am Lynanne Gutierrez, Policy Director and Legal Counsel for Groundwork Ohio. Thank you for the opportunity to give testimony concerning Substitute House Bill 166, Ohio's budget bill for state fiscal years 2020 and 2021. My testimony is limited to comment and concern on Ohio's quality child care system.

As you may know, Groundwork is Ohio's statewide advocacy leader for early care and education. In addition to our staff, Groundwork is governed by a robust steering committee of child-focused experts from around the state, including those who are leading the early care and education charge in their local communities, public school leaders, child advocates and center and home child care providers. We enjoy consistent support from state and national funders, our largest including the United Way of Greater Cincinnati, The George Gund Foundation, Pritzker Children's Initiative, the W.K. Kellogg Foundation and the Alliance for Early Success. We also have cast a wide net of support including to those in the business community.

Young Children are Our Priority

Groundwork advances early childhood systems in Ohio by engaging, educating and mobilizing diverse stakeholders and strategic partners to promote data-driven and evidence-based early childhood policies. We know advancing quality early learning and development is the most transformative strategy to improve school outcomes, increase the life-long success of Ohio's children, and lay a strong foundation for economic prosperity in our state. Accordingly, as we review Governor DeWine's executive budget as a statement of priorities, we celebrate our shared interest in advancing the needs of young children through the following policies and investments:

- Home Visiting: There is a substantial increase in state funding for Help Me Grow evidence-based home visiting to the tune of \$50 million additional over the biennium. This includes an additional \$20.3 million in FY 20 and an additional \$29.3 million in FY 21 for a total state investment of \$90 million over the biennium, compared to \$40 million in the last biennium. This will support the governor's commitment to triple the number of families served through in evidence-based home visiting statewide.
- Early Intervention: There is an increase in state funding for Part C Early Intervention services in the amount of nearly \$27 million over the biennium that we understand are being directed

towards increasing children served by new automatic eligibility for children who test lead positive and babies with neonatal abstinence syndrome.

- Lead: In addition to the early intervention investment, Governor DeWine invested \$22 million over the biennium as a first response to the issue of lead poisoning in children that will support advertising lead-free homes to families, abatement and remediation of lead contamination and demolishing blighted homes, an increase in the supply of lead hazard control workers and the creation of a lead abatement tax credit. Budget language also includes the creation of a primary prevention task force.
- Child Welfare: There is a significant increase in state funding for children's services to counties and language addressing the needs of multi-system youth.
- Early Literacy: There is a new investment of \$5 million over the biennium to create the Ohio Books from Birth Foundation to provide all Ohio children with a monthly book for the first five years of their life. Additionally, the local libraries are getting an additional \$8.5 million over the biennium that will maintain their current rate. There is not a specific target for early literacy initiatives but we know that libraries play an important role.

As we celebrate and share our full support of these investments with you in separate written testimony, we choose to spend our time today discussing Ohio's quality child care system, an area where the Executive Budget fell short of expectations.

Ohio is Facing a Workforce Crisis

In Ohio, kids are not ready for school. Only 40% of Ohio children come to kindergarten ready to learn. So, it's no surprise that only 43% of Ohio's workforce has a degree or credential for available jobs. Yet 65% of jobs in 2020 will require more than a high school diploma. Given that 90% of brain development happens in the first five years of life, kids who start behind, often stay behind. This not only means that we are failing to provide our littlest learners with the quality experiences they need for healthy mental, physical and emotional development, but it also projects a broader concern down the road—our state's long-term economic stability. Adding to this challenge is the fact that 65% of our current elementary students will have jobs that don't yet exist.

High-Quality Early Childhood Education is a Critical Response to this Crisis

What do many neuroscientists, economists, psychologists, generals, faith leaders, parents, Republican and Democratic governors, teachers, principals, researchers, state and federal legislators, and business leaders all have in common? The belief that investing in high-quality early childhood education and early childhood educators will make the nation and Ohio brighter, stronger and more competitive. Why? Because decades of research show that investing in the early years produces positive outcomes for children, our families and the economic future of our state.

Providing high-quality early childhood education for Ohio's most at-risk children during the most critical period of their development yields the greatest return on public investment. The ROI is upwards of 13% for every public dollar. Experts conclude that when investments are made early children are more likely to be kindergarten ready, graduate high school and have higher earnings and better health. They are also less likely to be held back a grade, rely on public assistance and engage in criminal behavior.

The nature of this powerful prevention policy was recently affirmed by the Health Policy Institute of Ohio's Health Value Dashboard 2019 which ranked Ohio 46 out of 50 states and the District of Columbia on health value—Ohioans are less healthy and spend more on health care than people in most other states. Of the nine strategies that work to improve health value in this report, the need for expanding access to quality early childhood education by fully investing in Ohio's Step Up to Quality rating system and

expanding eligibility for Ohio's child care subsidy from 130% FPL to at least 200 % FPL was one of them.

If a child has access to a quality early childhood experience, it is most likely through publicly funded child care administered by the Department of Job and Family Services. This large program served approximately 113,000 children in FY17 and meets the needs of working families who often can't take advantage of other quality experiences such as preschool because it doesn't meet the needs of their work or school schedule. Ohio's quality early childhood system, Step Up to Quality, was independently validated nearly two years ago. The study found a correlation between attendance at a high-quality program and increased kindergarten readiness.

The Workforce Crisis is Directly Linked to the Child Care Crisis

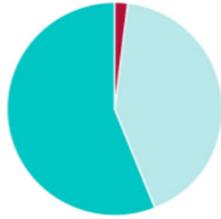
Not only is quality child care a powerful prevention policy to build a strong foundation for Ohio's workforce of tomorrow (our children), investing in quality child care provides a critical support for the workforce of today. We know that more parents, primarily women who are the most likely to be single heads of household of our state's low-income families, could increase their earnings and seek employment or new job opportunities if they had greater access to reliable and affordable child care.

If we want families to work, they must know their child is in a safe, nurturing environment. If they can't find quality, affordable childcare, or if they don't believe their children are well taken care of while they're on the job, most parents will do what you or I would do — they will quit or they will call in sick. Today, too many families with young children are making a choice between spending a significant portion of their income on child care, finding a cheaper, but potentially lower-quality or unsafe care option, or leaving the workforce altogether to become a full-time caregiver.

Child care challenges are a barrier to work. All working parents make sacrifices due to problems with child care. These challenges are exponential for working parents in low-income families. Parents and children aren't the only ones who suffer from child care challenges. Businesses rely on employees, and employees rely on child care. American businesses lose an estimated \$12.7 billion annually because of their employee's child care challenges. Nationally, the cost of lost earnings, productivity, and revenue due to the child care crisis totals an estimated \$57 billion each year.

Ohio's publicly funded childcare program is designed to encourage work by making quality childcare affordable and offering subsidies on a sliding scale. Currently, child care is only available to individuals earning under 130% of the Federal Poverty Level. For a family of three, a mom and two young children (a typical profile considering 60% of families living in poverty are single parents living with children), this means earning \$12.99 per hour with a yearly salary not exceeding \$27,014.00. That same family at 200% FPL has a yearly salary of \$41,560.00. After meeting all other basic needs, the family earning more would be left with substantially less expendable income than a family at 130% of the FPL. *(See image below and accompanying source list attached as Appendix A.)*

130% FPL--ELIGIBLE
\$27,014 annual income (\$12.99/hour)²



Current Eligibility
130% FPL

- Child Care Costs
\$527.04³ vs. \$17,366.50⁴
- Other Living Expenses⁵
\$11,376 vs. \$16,595.88
- Remaining Expendable
Annual Income
\$15,110.96 vs. \$7,597.62

200% FPL--NOT ELIGIBLE
\$41,560 annual income (\$19.98/hour)²



Are we preventing working families from breaking out of poverty?

If we expanded eligibility to 200% of the Federal Poverty Level, this same mother would have the work support she needs to provide for her family and more than triple her remaining expendable income, providing a greater opportunity to break out of poverty.

If we expand PFCC eligibility to 200% FPL...

- Child Care Costs
\$809.64³
- Other Living Expenses⁵
\$16,595.88
- Remaining Expendable
Annual Income
\$24,154.48

200% FPL--ELIGIBLE
\$41,560 annual income (\$19.98/hour)



You can have the best training, but if you don't have child care you can't go to work. You can have available jobs, but if you don't have a healthy foundation you won't be qualified to work down the road. You simply cannot talk about workforce development without talking about both the workforce of today and the workforce of tomorrow through a child care lens.

Groundwork Supports Federal Dollars Being Spent on Child Care Rates

The Administration has touted an increased investment of \$198 million in federal dollars over the biennium. While there is no doubt as to the critical nature of this infusion of federal dollars, these are Child Care Development Block Grant (CCDBG) dollars approved by a bipartisan Congress in March of 2018. The Administration and the Department of Job and Family Services announced a spending plan for these federal dollars to the Early Childhood Advisory Council shortly after the release of the budget. They have used the 2018 market rate survey to increase all unrated programs and those programs rated in our Step Up to Quality program base rates to the 25th percentile of this market rate. The Department intends to make this rate change effective July 1, 2019.

With increased federal investment, we saw increased demands by the federal government on states to address significant shortfalls in their child care systems. The decision by the DeWine administration to increase base rates was made because the state was notified in January that they were in a corrective action plan because our base rates did not meet the federal government's low 25th percentile requirement. Accordingly, the state identified those base rates under the 25th percentile, raised them and simultaneously recategorized 29 counties within our three existing rate categories. The ultimate effect of this rate adjustment was 16 counties moving to a category where the majority of rates increase and 13 counties where a majority decrease. These 13 counties include: Allen, Ashland, Erie, Preble, Sandusky, Seneca, Auglaize, Belmont, Knox, Ottawa, Portage, Trumbull, and Harrison. While we continue to evaluate the full impact of the rate proposal, we are encouraged by the state's plan to use their existing authority to put these new federal resources into child care rates. **Child care provider base rates have long been woefully out-of-line with the current market rate and rates are a critical piece to ensuring increased access to quality child care in our state.** We look forward to seeing how these rates impact providers committed to serving our youngest learners in high quality learning environments that prepare them for lifelong success.

Rate Updates are Necessary, But Not Sufficient

The mere fact that our state was required to address insufficient child care rates underscores the reality that our state child care system has been starved for many years and requires additional state investment. Among the learnings from the most recent infusion of federal CCDBG dollars across the nation, is that programs cannot easily bounce back from years of resource starvation. And while rates are a critical and necessary piece to building a quality child care system, rates alone are not sufficient. Despite the continued rhetoric, however, from the administration around supporting and expanding quality child care for kids, we were disappointed to see that no new state dollars are going into the system.

We are deeply concerned about this continued lack of state investment and are thus advocating, once again, for increased state investment in the quality child care system based on the following considerations where the current child care system fails working families and their children:

1. **Quality Capacity:** As of February 2019, 45% of programs and 57% of kids are served in quality rated programs (1-star or above in our SUTQ system). We have come a long way in delivering on the statutory mandates requiring that, in order to receive public dollars, programs have to be rated at least a 1-star in SUTQ by 2020 and at least a 3-star by 2025. While we are hopeful that a rate update will help more programs become quality rated and high-quality rated as we face our 2020 and 2025 quality mandates, our system needs increased investments outside of the rate structure to ensure that our quality goals are met and that any loss of capacity is anticipated so that children and families do not lose access to care.
2. **Equitable Access:** We know that our public child care system continues to leave some children behind more often than others. Our system needs increased state dollars to ensure that communities of color, children living in rural communities and children in communities experiencing child care deserts have equitable access to high quality care. It also needs increased state investment to evaluate and address capacity shortages specific to infant and toddler care.
3. **Expanded Access:** No additional children will be served without new state investment. Ohio has the second lowest initial eligibility for child care in the nation. And at a time when work requirements are increasing, our state is not providing the supports low income families need to work. While we appreciate the administration's continued vocal commitment to expanding eligibility from 130% FPL to 150% FPL and look forward to working with them to chart a path forward to advancing this goal, without new state resources, there is no reason to believe progress will be made on this goal in this biennium. Our long-term proposal is to move initial eligibility back to 200% FPL where it was before the recession, incrementally over time, so that child care aligns with other public benefits and at the same time it enhances the ability of low-income parents to remain in the workforce. Too many low-income working parents are forced to leave the workforce because of the high cost of child care. The 200% FPL threshold is believed to be a good benchmark for families to be able to sustain themselves.
4. **Quality Workforce:** We know that high-quality educators drive high-quality early learning, but in Ohio, programs struggle to find and keep qualified employees. The average wage of a child care worker in Ohio is \$9.86, often leaving them eligible for publicly funded child care and other public benefits themselves. Our state has not adequately invested in the child care workforce, despite the critical and valued work they do. While a rate update holds the potential of translating to increased wages, we know from the experience across the nation that incremental rate increases in a starved system often fail to do so. Ohio needs increased state investment to build a high-quality workforce.

The needs of Ohio's quality child care system cannot be fulfilled by federal dollars alone.

We must continue to build upon the strong framework of our quality early childhood system and provide a sustainable funding plan for our system. We are not able to take any step forward to ensure that our system becomes more financially sustainable long-term without new state resources. We remain concerned that over the past decade, our increased reliance upon federal investments, including CCDBG and TANF funds, has failed to create predictably for our system. Our concern is rooted in three areas:

- Federal: As we begin to formulate our federal strategy with our partners from other states around a new \$5 billion request in CCDBG funds, we are learning from many national policy makers that there is great concern that states aren't effectively investing in their child care systems. The reliance on federal dollars as the only funding source and the failure to deliver on new state investment in Ohio is a trend that is bringing the existing federal dollars into question (let alone any additional resources). This is a very real concern of ours as we try to maintain the current federal investment that was approved last March by Congress and at the same time try to levy more support from Congress and the President for an additional \$5 billion in federal investment.
- State: Child care in Ohio is largely reliant on federal dollars. The JFS Redbook summarizes that of the \$639.6 million spent on child care in FY17, 73% is federal TANF and child care grants, 35.3% is state GRF and 1.7% comes from casino funds. Between 2011 and 2018, state and federal dollars invested in the child care dropped by \$83.1 million, an overall decline of 10.3%. The reliance on federal child care dollars increases by \$198 million over the coming biennium. Further, as affirmed in Director Hall's testimony, child care continues to be reliant on the TANF sustainability fund balance in addition to TANF federal block grant dollars. Given that JFS projects this fund will be depleted by the end of FY 2022, this will result in a reduction of TANF federally funded publicly funded child care in FY23. This reduction in TANF from this one-time fund, requires that in order for the system to remain status quo, a new annual state investment must take its place.
- Local: Local government, private philanthropy and corporate investments are also at stake. There has been a lot of shared concern from our community partners that local resources are at risk of being diverted to other community projects rather than to child care because of the misperception that local support is no longer needed because of new federal and state investments. While many local communities will never have these types of local investments, the ones who do are absolutely dependent on them with no relief from the state because there are no new resources coming from the state to supplant these investments.

Conclusion

Ohio must be committed to support the workforce of today and the workforce of tomorrow through quality child care. We ask you for increased state investment to build our quality child care system and serve more children in high-quality child care, the intervention that we know prepares them for school and lifelong success while providing their family the opportunity to work.

Groundwork Ohio Testimony, Appendix A

Remaining annual gross income after basic expenses for families at 130% FPL and 200% FPL under current and recommended Publicly Funded Child Care eligibility

		Current PFCC Eligibility		Recommended PFCC Eligibility
Annual Gross Income		\$27,014	\$41,560	\$41,560
Hourly Wage		\$12.99/hour	\$19.98/hour	\$19.98/hour
Poverty Level ⁱ		130% FPL	200% FPL	200% FPL
PFCC Eligible? ⁱⁱ		YES	NO	YES
Annual Expenditures for Low Income Families (Franklin County, OH)	Infant Child Care ⁱⁱⁱ	\$0	\$9,363.75	\$0
	4-Year Old Child Care ^{iv}	\$0	\$8,002.75	\$0
	Child Care Copay ^v	\$527.04	\$0	\$809.64
	Housing Costs ^{vi}	\$10,632	\$10,632	\$10,632
	Food Costs ^{vii}	\$0 (SNAP Benefits)	\$4,388.40	\$4,388.40
	Kids' Healthcare Costs	\$0 (Medicaid Eligible)	\$0 (Medicaid Eligible)	\$0 (Medicaid Eligible)
	Parent Healthcare Cost ^{viii}	\$0 (Medicaid Eligible)	\$831.48	\$831.48
	Transportation Costs (COTA) ^{ix}	\$744	\$744	\$744
	Remaining Annual Expendable Income (pre-tax)	\$15,110.96	\$7,597.62	\$24,154.48

Sources:

ⁱ **Salaries** determined by January 2018 Federal Poverty Level Guidelines
 Source: <https://www.gpo.gov/fdsys/pkg/FR-2018-01-18/pdf/2018-00814.pdf>

ⁱⁱ **Publicly Funded Child Care** eligibility outlined in Ohio Administrative Code §5101:2-16-30(A)(2)(a)

ⁱⁱⁱ **Infant child care** determined by averaging the costs of center, accredited center, FCC, and accredited FCC infant child care costs in Ohio based on Child Care Aware USA's "2017 State Child Care Facts in the State of Ohio"

Source: https://usa.childcareaware.org/wp-content/uploads/2017/07/OH_Facts.pdf

^{iv} **Four year old child care** determined by averaging the costs of center, accredited center, FCC, and accredited FCC four year old child care costs in Ohio based on Child Care Aware USA’s “2017 State Child Care Facts in the State of Ohio”

Source: https://usa.childcareaware.org/wp-content/uploads/2017/07/OH_Facts.pdf

^v **Child care copay** determined using Ohio Department of Job and Family Services Child Care Weekly Copayment Desk Aid (Effective October 1, 2017)

Source: <http://emanuals.jfs.ohio.gov/pdf/pdf-forms/CCMCopaymentChartDeskAid.PDF>

^{vi} **Housing costs** determined by the 2017 market rate for a two-bedroom apartment in Franklin County, Ohio (\$886/month; \$10,632/year). Section 8 Housing vouchers were considered but not taken into account for this calculation because they are not an accessible option for most families.

Source: https://ohiohome.org/compliance/documents/fairmarketrents_17.pdf

^{vii} **Food costs** were estimated using *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, February 2018*. Estimate includes costs for “thrifty plan” (cheapest option) for a 1 year-old child (\$93.60/month), 4 year-old child (\$107.90/month), and female between the ages of 19-50 (\$164.20/month). This results in a total minimum monthly cost of \$365.70 and annual cost of \$4388.40.

Source: www.cnpp.usda.gov/sites/default/files/CostofFoodFeb2018.pdf

^{viii} **Healthcare costs** for parent were calculated by determining the premium tax credit available to a mother of a 1 year-old and 4 year-old making \$41,560 (tax credit estimated to be \$79/month) and subtracting that from the least expensive available healthcare plan in Franklin County, Ohio (MedMutual · Market HMO 7350 – OhioHealth at \$148.29/month) for a total monthly cost of \$69.26 and annual cost of \$831.48.

Source: www.healthcare.gov/see-plans

^{ix} **Transportation costs** based on the current price of a Central Ohio Transportation Authority pass (\$62/month)

Source: <https://www.cota.com/fares/>



Lynanne Gutierrez
Policy Director & Legal Counsel
lwolf@groundworkohio.org
mobile: 614-204-6106
172 E. State Street, Suite 400
Columbus, Ohio
43215

**Ohio House of Representatives
Finance Subcommittee on Health and Human Services
FY2020-2021 Operating Budget
Groundwork Ohio
Lynanne Gutierrez, Policy Director & Legal Counsel
April 11, 2019**

Good Afternoon, Chairman Romanchuk, Ranking Member West and members of the committee. I am Lynanne Gutierrez, Policy Director and Legal Counsel for Groundwork Ohio. Thank you for the opportunity to give testimony concerning Substitute House Bill 166, Ohio's budget bill for state fiscal years 2020 and 2021. My testimony is limited to comment and concern on Ohio's quality child care system.

The evidence is overwhelming that brains are built by early experiences – in the first five years of life, 90% of a child's brain development happens with about 1 million neural connections made every second in the early years. We have a critical period of time to position all Ohio children for success.

Furthermore, young children in Ohio are experiencing high levels of toxic stress with the potential to cause long-last negative effects on cognitive, social-emotional, and physical development. During the earliest and most critical years of development, children are highly vulnerable to adversity. As the frequency and length of Adverse Childhood Experiences (ACEs) increase, so do the impacts on physical and mental health, academic achievement, and self-sufficiency. Ohio ranks 46th in the nation for kids having three or more ACEs, putting them at higher risk for long-lasting negative effects.

We know that not all children have the same early experiences—children from low income families, children of color, and those living in Ohio's rural Appalachian region are at highest risk of starting kindergarten behind their peers. At-risk children's ability to develop on par with their peers is greatly compromised – for example, by age 3, low income learners have heard an average of 30 million fewer words than their higher income peers and their vocabulary is half as large. We also see huge gaps in kindergarten readiness between black and white children, regardless of family income level. Kids who start behind often stay behind. These indisputable facts explain why the investments made during the first five years of life are so significant. The earlier the investment, the greater the return. And the greatest return is when we invest in the kids most in need.

In this spirit, we want to celebrate a few critical investments that are included in Governor DeWine's Executive Budget. First and foremost, we want to praise the substantial increase in state funding for Help Me Grow evidence-based home visiting to the tune of \$50 million additional over the biennium. This includes an additional \$20.3 million in FY 20 and an additional \$29.3 million in FY 21 for a total state investment of \$90 million over the biennium, compared to \$40 million in the last biennium. This will support the governor's commitment to triple the number of families served through in evidence-based home visiting statewide.

Through the Help Me Grow program, the Ohio Department of Health provides critical support to new mothers and infants by implementing nationally recognized evidence-based models with the strongest evidence of effectiveness: improving birth outcomes, decreasing child abuse and neglect, increasing school readiness and achievement, bolstering family economic self-sufficiency, and reducing juvenile delinquency. Relying on evidence-based models ensures that taxpayer dollars are spent effectively and efficiently with some models reporting returns on public investment as high as \$5.70 per dollar invested.

I also want to recognize the Governor's continued commitment for kids through the proposed increase in state funding for Part C Early Intervention services in the amount of nearly \$27 million over the biennium which will be directed towards increasing children served by new automatic eligibility for children who test lead positive and babies with neonatal abstinence syndrome. In addition to the early intervention investment, Governor DeWine has also proposed \$22 million over the biennium as a first response to the issue of lead poisoning in children that will support advertising lead-free homes to families, abatement and remediation of lead contamination and demolishing blighted homes, an increase in the supply of lead hazard control workers and the creation of a lead abatement tax credit. Budget language also includes the creation of a primary prevention task force, which we hope will create a clear goal of eliminating childhood lead exposure, identify timelines for specific strategies and action steps, and identify future fiscal investments required to get there.

There is a significant increase in state funding for children's services to counties and language addressing the needs of multi-system youth—a critical support for those children who are impacted by increasing levels of trauma and toxic stress due to the opioid crisis.

Finally, I want to celebrate Governor DeWine's new investment of \$5 million over the biennium to create the Ohio Books from Birth Foundation to provide all Ohio children with a monthly book for the first five years of their life as well as the additional \$8.5 million going to local libraries over the biennium.

On behalf of Groundwork Ohio, I want to thank the Governor once again for recognizing the critical importance of investing in the early years of development for Ohio children in the proposed operating budget for Fiscal Years 2020 and 2021. As the budget continues to move through the legislature, our ask is that these critical investments be protected.



Lynanne Gutierrez
Policy Director & Legal Counsel
lwolf@groundworkohio.org
mobile: 614-204-6106
172 E. State Street, Suite 400
Columbus, Ohio 43215

**Ohio Senate
Finance Committee
FY2020-2021 Operating Budget
Groundwork Ohio
Lynanne Gutierrez, Policy Director & Legal Counsel
May 28, 2019**

Good Afternoon, Chairman Dolan, Vice Chairman Burke, Ranking Member Sykes and members of the Senate Finance Committee. I am Lynanne Gutierrez, Policy Director and Legal Counsel for Groundwork Ohio. Thank you for the opportunity to give testimony concerning Substitute House Bill 166, Ohio's budget bill for state fiscal years 2020 and 2021. My testimony is limited to comment and concern on Ohio's quality child care system.

Today, hundreds of thousands of kids were dropped off for child care as both their parents—or their only parent in a single parent household—headed off to work. But too many of these kids, especially those who are receiving subsidized care through our publicly funded child care program, are in environments that may not be promoting quality early learning and could even be having a detrimental effect on their development.

We know that brains are built on a foundation of early experiences and that the first few years of life include a surge of new neural connections—more than a million each second. We also know the benefits of investing in quality programs early—increased kindergarten readiness, high school graduation, and lifelong earnings—and the cost of failing to invest—most significantly in the form of costly interventions through the criminal justice system. Our state and this legislature made a clear choice—the right choice—to follow the research and invest in today's families and the next generation by implementing our quality rating and improvement system, Step Up to Quality, back in 2004.

It's been 15 years since our system was instituted and, despite seeing strong positive outcomes for kids who are receiving quality care, the state has failed to make the investments our system needs to fully deliver on the promise of quality. We have come a long way in delivering on the statutory mandates requiring that, in order to receive public dollars, programs have to be rated at least a 1-star in SUTQ by 2020 and at least a 3-star by 2025. As of February 2019, 45% of programs and 57% of kids are served in quality rated programs (1-star or above in our SUTQ system). In fact, since the beginning of January this year we have realized a 13% increase as of the end of April in participating programs. This increase is more than what was achieved in the entire calendar year 2018.

While we have made incredible progress and are on our way to delivering on the promise of quality for Ohio kids, our system needs increased state investments in quality infrastructure outside of the rate structure to ensure that our quality goals are met. Just as there is no silver bullet or deregulation policy that will mend broken roads and bridges, the same is true for our youngest most vulnerable children and their access to quality child care, an intervention that can get them out of the cycle of intergenerational poverty and onto prosperity. New resources are required.

We celebrate federal child care dollars being allocated to increased rates for child care providers. Child care provider base rates have long been woefully out-of-line with the current market rate and rates are a critical piece to ensuring increased access to quality child care in our state. This update was motivated by our state being in federal corrective action for insufficient rates. Unfortunately, while the overwhelming effect of this rate adjustment is very positive, 13 primarily rural counties will see an actual decrease in rates under the current proposal. We believe that as the state moves forward with their existing authority to update rates, this must be remedied.

Accordingly, we ask for you to support amendment number SC3663, a “hold harmless” for child care providers serving children in the 13 counties (Allen, Ashland, Erie, Preble, Sandusky, Seneca, Auglaize, Belmont, Knox, Ottawa, Portage, Trumbull and Harrison) that will see a rate decrease in the proposed rate update. Rates are a critical piece to provide access to quality child care for poor working families and their children. These 13 counties, mostly rural communities, cannot afford to lose money given the critical work they do for children and families. At a time where they could actually benefit from a rate increase as they work towards meeting our state quality mandates, we are trying to maintain their status quo so that no children lose access to care.

Rate updates are necessary, but not sufficient. Given the urgent need for high-quality child care, we are disappointed to see that no new state dollars are going into the system. We are deeply concerned about this continued lack of state investment and are thus advocating, once again, for increased state investment in the system that supports the infrastructure of the quality system.

We also ask for your support of amendment number SC2827x1 which invests \$15 million over the biennium in Quality Infrastructure Grants. This amendment creates a competitive opportunity for early childhood stakeholders (community collaboratives, organizations, resource and referral, providers, local government, etc.) to satisfy one-time needs that support child care programs becoming quality rated to meet our 2020 and 2025 statutory mandates for serving more children in quality child care programs. With this goal in mind, funds can be spent on quality workforce supports including, but not limited to wage incentives and assistance with certification and degree attainment; professional development and technical assistance; facilities improvement and classroom supplies; and curriculum and assessment.

Like any other investment in our state’s infrastructure, this investment will pay dividends—not just to families and children who rely upon child care—but by providing a more consistent workforce to current employers, attracting new businesses to the state, improving local communities, and supporting our state’s long-term economic success.

Thank you for your time and I’m happy to answer any questions.



Lynanne Gutierrez
Policy Director & Legal Counsel
lwolf@groundworkohio.org
mobile: 614-204-6106
172 E. State Street, Suite 400
Columbus, Ohio 43215

**Ohio Senate
Finance Committee
FY2020-2021 Operating Budget
Groundwork Ohio
Lynanne Gutierrez, Policy Director & Legal Counsel
June 5, 2019**

Good Afternoon, Chairman Dolan, Vice Chairman Burke, Ranking Member Sykes and members of the Senate Finance Committee. I am Lynanne Gutierrez, Policy Director and Legal Counsel for Groundwork Ohio. Thank you for the opportunity to give testimony concerning Substitute House Bill 166, Ohio's budget bill for state fiscal years 2020 and 2021. My testimony is limited to comment and concern on Ohio's quality child care system, specifically Amendment SC3663.

As you know, the State has proposed a child care provider rate update based upon the unpublished 2018 Market Rate Survey. We continue to celebrate federal child care dollars being allocated to increased rates for child care providers as base rates have long been woefully out-of-line with the market rate studies for over a decade and rates are a critical piece to ensuring increased access to quality child care in our state. The proposed rate update was motivated by our state being in federal corrective action for insufficient rates and the guidance which requires Ohio to ensure that all base rates reach the low threshold of the 25th percentile of the market rate. This is supposed to equate to publicly funded children getting access to a mere 25% of the market in their community. The federal standard for equal access, as opposed to this incremental step in ensuring a sufficient floor for rates, is the 75th percentile. Unfortunately, while the overwhelming effect of the proposed 2018 Market Rate Survey implementation is very positive, 13 primarily rural counties will see an actual decrease in rates under the current proposal. We believe that as the state moves forward with their existing authority to update rates, this must be remedied.

In applying the federal guidance to the proposed implementation of the 2018 Market Rate Survey, two steps were taken. First, any existing rate that didn't meet the 25th percentile was increased to the 25th percentile. Second, counties were clustered into three peer groups or rate categories. While 59 counties maintained the same category, 29 counties changed and 13 of those counties will see a decrease in rates because they are moving to a lower rate category. The market rate tool has been and continues to be an insufficient tool to set rates, particularly for rural counties. You will learn in testimony today how that is playing out and impacting local communities in the following ways:

First, the tool is insufficient for these counties because there is not a true market for child care in these communities. The data collected by the market rate survey often includes the rates providers are charging but not the cost of providing the quality service, given that providers are being sensitive to constricted incomes of private pay parents when setting rates in areas where we see concentrated poverty or even working class parents in these markets who cannot afford the full cost of delivering quality care. Further, if providers are heavily reliant on publicly funded children, they may under report the cost of delivering the service and instead report what the state actually pays them.

Second, many areas in these 13 counties or the entire county is a child care desert where there has never been child care capacity or where they have seen significant loss of capacity over time. As a result, there is insufficient data coming from stable child care programs to create an environment which allows additional child care programs to open and stay open. The most egregious of these cases is in Harrison County. Our understanding is that during the time period of the market rate survey there was one center and one family child care program in the entire county even available to provide data. This is certainly not because this county lacks for eligible kids who need child care. That center has now closed and the market rate survey tells us that Harrison should move not just one category down, but two. The market rate survey not only maintains an unsustainable environment for child care but perpetuates it.

Third, the idea that the cost structure is different in these particular counties is false. We as a state have required them all to deliver the same quality service with the largest cost driver being a workforce who makes on average, \$10 an hour. The ability for programs to operate competitively and make decisions based on efficiency is limited, especially in communities where child care businesses are not operated by large chains but rather solo entrepreneurs and mom-and-pop shops. How can you justify, for example, a single center operating in the north corner of Preble County, bordering Montgomery and Darke Counties, receiving lower rates than their peers just a few miles down the road?

While we have responded to the insufficiency of the market rate tool for many smaller and rural counties during budget deliberations, we have also invited a greater conversation about the rate structure in our state based on this tool because of inequities it creates for infants and toddlers. The current rate structure actually encourages programs to serve preschool age children and discourages providers from serving infants and toddlers.

Lastly, the fact that the federal government has instructed the state that our rates are insufficient and we are in corrective action makes any decrease in rates for publicly funded children absurd on its face. Part of the solution to curing insufficient rates cannot be decreasing reimbursement to programs who struggle to stay open already. Typically, when rate adjustments occur, states will build in a hold harmless to protect against rates decreasing where, like Ohio, they are trying to actually build a quality child care system, not fill one whole to create another.

Accordingly, we ask for you to support amendment number SC3663, a “hold harmless” for child care providers serving children in the 13 counties (Allen, Ashland, Erie, Preble, Sandusky, Seneca, Auglaize, Belmont, Knox, Ottawa, Portage, Trumbull and Harrison) that will see a rate decrease in the proposed rate update. These 13 counties cannot afford to lose money given the critical work they do for children and families. At a time where they could actually benefit from a rate increase as they work towards meeting our state quality mandates, we are trying to maintain their status quo so that no children lose access to care.

Thank you for your time and I’m happy to answer any questions.