Policy Matters Ohio

POLICY BRIEF
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Basic needs

New rule for child care could lower costs for families and stabilize providers

Federal comment period closing

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On July 13, the federal Office of Child Care announced a proposed rule that has the potential to reshape the landscape of child care in Ohio. In this brief, we identify key aspects of the proposed rule and explore its potential impacts on families and child care providers.

The proposed rule, titled "Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund," is designed to:

- Lower child care costs for families.
- Stabilize child care providers.
- Expand child care options for families.
- Make enrollment easier for families.

Lower child care costs for families

Families often struggle to afford child care, especially those with limited means. Families in Ohio can initially enroll in Publicly Funded Child Care (PFCC) if their gross monthly household income is at or below 145% of the federal poverty level ($2,783 for a family of three). Once enrolled, they can remain so as they grow their income, up to 300% of the federal poverty level ($5,758 for a family of three).

Currently, families with monthly income at or below 100% of the federal poverty level ($1,919 for a family of three) are not required to pay a co-pay in Ohio. Above that income level, co-pay amounts increase as a family's income grows. The proposed rule would cap that co-payment at 7% of family income. This would provide savings and alleviate some financial stress for many families in PFCC with income over 100% of the federal poverty level.[1] It would not affect PFCC families with income below that level, who do not have a co-payment. Figure 1 describes the effects of the proposed change by household income.

[1] In FY 2020, 62% of Ohio families enrolled in PFCC had an income at or below 100% of the federal poverty level. "FY 2020 CCDF Data Tables (Preliminary)," Office of Child Care, An Office of the Administration for Children & Families, US Department of Health & Human Services, accessed at https://bit.ly/3snaNeB

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Figure 1

Potential impact of capping co-payments at 7% of household income						
Publicly Funded Child Care (PFCC) in Ohio: Co-payment for a family of 3						
Gross income		Current co-pay policy		Co-pay under the proposed rule		
% of the federal poverty level	Monthly household income	Monthly co-pay	Co-pay as a % of gross income	Max monthly co-pay	Co-pay as a % of gross income	Monthly savings
100%	$1,919	$0.00	0.0%	$0.00	0.0%	$0.00
125%	$2,399	$202.02	8.4%	$167.93	7.0%	$34.09
150%	$2,879	$251.98	8.8%	$201.53	7.0%	$50.45
200%	$3,838	$336.01	8.8%	$268.66	7.0%	$67.35
250%	$4,798	$863.98	18.0%	$335.86	7.0%	$528.12
300%	$5,758	$1,555.02	27.0%	$403.06	7.0%	$1,151.96

Source: Current Co-pay based on "Child Care Weekly Copayment, Effective 10/01/2022," Ohio Department of Job & Family Services, accessed at https://bit.ly/44lahe8; Co-pay under the proposed rule based on PMO analysis.

The proposed rule would also allow the Ohio Department of Job & Family Services (ODJFS)[2] the flexibility to waive co-payments for families that include a child with a disability and those with monthly income at or below 150% of the federal poverty level ($2,879 for a family of three). As Figure 2 shows, the latter would provide roughly $150 to $250 in savings each month for families with income between 100% and 150% of federal poverty level.

Figure 2

Potential Impact of waiving co-payments for families with income at or below 150% of the federal poverty level				
Publicly Funded Child Care (PFCC) in Ohio – Co-payment for a family of 3				
% of the federal poverty level	Monthly household income	Monthly co-pay (current)	Monthly co-pay (proposed rule)	Monthly savings (proposed rule)
100%	$1,919	$0.00	$0.00	$0.00
110%	$2,111	$155.00	$0.00	$155.00
120%	$2,303	$184.99	$0.00	$184.99
130%	$2,495	$218.01	$0.00	$218.01
140%	$2,687	$235.00	$0.00	$235.00
150%	$2,879	$251.98	$0.00	$251.98
160%	$3,017	$269.01	$269.01	$0.00

Source: Current Co-pay based on "Child Care Weekly Copayment, Effective 10/01/2022," Ohio Department of Job & Family Services, accessed at https://bit.ly/44lahe8; Co-pay under the proposed rule based on PMO analysis.

[2] Changes in Ohio's budget will make the Ohio Department of Children and Youth the state's lead agency by January 2025.

These changes to the co-pay policy will lower child care costs for families — especially if Ohio lawmakers choose to pursue the optional waivers. Ohio leaders can also lower those costs by further increasing initial eligibility for PFCC. The recently passed state budget boosted initial eligibility only slightly, from 142% to 145% of the federal poverty level. This means a family of three with a monthly gross income of $2,783 annually — the equivalent of working full time at $16.05 an hour — would be eligible for subsidized child care, up from $2,725. This still puts Ohio near the bottom in terms of access to state-subsidized child care. Ohio lawmakers can do much more for Ohio families by significantly increasing initial eligibility to 300% of the federal poverty level.

More stability for child care providers that offer PFCC

Child care providers support the growth of young children and help parents stay in the workforce. However, many providers that offer PFCC face financial instability, which can reduce the quality of care they offer. The proposed rule would change how and when providers are paid and clarify a minimum payment rate for child care providers.

In Ohio, child care providers who accept public funding are reimbursed by ODJFS based on attendance. But fixed costs — like payroll, rent and utilities — don't decrease when a child is absent. The proposed rule would instead base payments to PFCC providers on enrollment, ensuring predictable funding levels.

This proposed rule would also require ODJFS to pay providers prior to the delivery of services, aligning public payment practices with those of private payers, who typically pay in advance. (For example, payment for child care for the month of August is due August 1st.)

These changes will lead to a more stable financial environment for child care providers, which will in turn encourage more providers to participate in PFCC, leading to an increase in child care options, improved quality of care, and expanded parental choice.

Payments to PFCC providers that better align with the actual cost of care

To deliver high-quality care, PFCC providers need to recruit and retain a highly skilled workforce. That requires child-care workers to be paid adequately for their work, which requires that PFCC providers are reimbursed enough to do so.

Ohio uses a complex system,[3] based on a market rate survey, to determine how much to reimburse PFCC providers. As a result, different providers receive different amounts per child, making it difficult to describe reimbursement in specific dollar amounts. Instead, the reimbursement rate is expressed as a "percentile of the market rate": the share of providers who charge less than the state's reimbursement rate. For example, Ohio reimburses at the 25th percentile. In other words, only 25% of similar providers charge families less than the rate at with Ohio reimburses PFCC providers — and 75% charge more.

Figure 3 outlines the stark difference in reimbursement rates. The 25th percentile for one hour of infant care at a child care center is $8.12 per hour compared to $15 an hour at the 75th percentile.

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[3] *There are three different market rate tiers (Cluster 1, 2, and 3) depending on the county in which they operate, and different reimbursement rates for the type of care (such as infant, toddler, preschool, and school age) as well as different types of child care settings, including child care centers, Type A family child care homes, and Type B family child care homes. There are also different rates for providers who participate in the Step Up to Quality system based on different star ratings. ODJFS has a calculator to estimate payment amounts based on the number of children in different age groups, the child care setting, the county, and the star rating of the provider: "Step Up To Quality Payment Estimator Tool for programs participating or planning to participate in the Publicly Funded Child Care Program," at http://www.odjfs.state.oh.us/sutqcalculator/*

Figure 3

Raising Ohio's rate from the 25th percentile to the 50th (or 75th) would make a major difference to providers and families			
Ohio – 2022 market rate survey percentiles, PFCC centers for infant care			
Percentile	Full-time	Part-time	Hourly
25th	**$225.00**	**$150.00**	**$8.12**
50th	$275.00	$183.00	$10.00
75th	$322.43	$226.00	$15.00

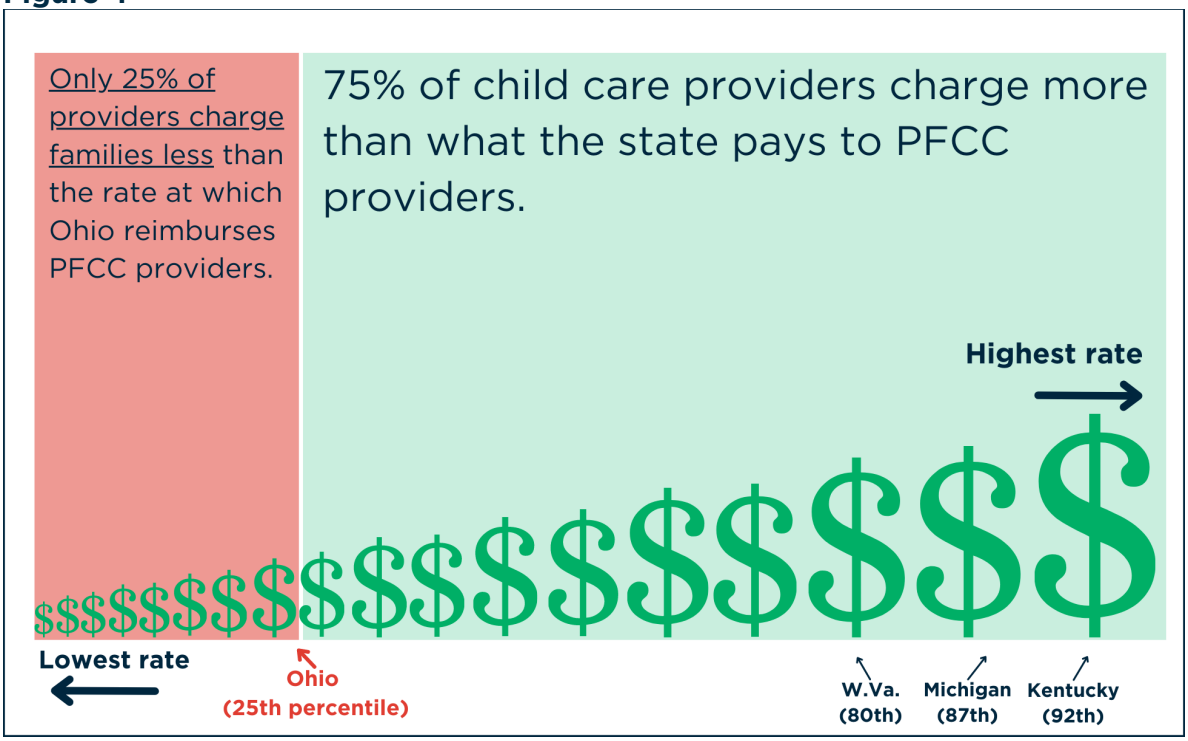
Source: "2022 Ohio Child Care Market Rate Survey Analysis," Prepared for ODJFS, Strategic Research Group, November 22, 2022, accessed at https://bit.ly/3P8WQK3 Note: This table includes statewide rates for child care centers serving infants. Footnote 3 explains how these dollar amounts vary depending on a variety of factors.

Ohio was recently ordered by the federal government to increase its reimbursement to at least the 50th percentile of the market rate: the midway point between the lowest rate charged by providers and the highest.

The proposed rule restates an even higher standard for equal access: the 75th percentile. At that level, states can ensure all parents and caregivers can access high-quality child care, regardless of race, income or ZIP code.

Figure 4 shows that Ohio's reimbursement rate is among poorest in the nation. The paltry payment from the state is why some child care providers aren't interested or able to participate in the PFCC system. This perpetuates the status quo of low wages for child care workers and limited resources and capacity to serve children.

Figure 4



"Child Care and Development Fund Payment Rates," Office of Child Care, An Office of the Administration for Children & Families (ACF), U.S. Department of Health & Human Services, state reimbursement percentiles to child care centers serving infants, accessed at https://bit.ly/3OOCQee

Even when Ohio leaders raise the reimbursement rate to the 50th percentile, we will lag our neighbors in Kentucky (where providers are reimbursed at the 92nd percentile), Michigan (87th) and West Virginia (80th). At the 50th percentile, Ohio would still fall short of the federal benchmark for equal access (which is the 75th percentile) and far from the true cost of high-quality care.

Pay child care providers the established subsidy rate

In fact, Ohio pays some child care providers even less than the 25th percentile, which is known as the base payment rate. That's because Ohio has a law requiring that the state not pay a child care provider more than the rate paid by private-pay families. This is particularly harmful for providers serving families in low-income neighborhoods, because child care providers set their prices based on what parents can pay, rather than the actual cost of care. This practice of relying on the market to set the public payment rate is hurting families, children, child care providers, and the larger economy. Ohio lawmakers need to align state law with the proposed federal rule which encourages states to pay child care providers that serve PFCC families the base payment rate, even if that amount is greater than the price providers charge parents who don't receive a public subsidy.

Ultimately, the rule encourages states to pay all PFCC providers at the state-established reimbursement rate to improve child care quality and boost the supply of child care, giving parents more and better options. Lawmakers would need to amend the Ohio Revised Code to align with this proposed rule.

Make it easier for families to enroll in PFCC

The proposed rule includes strategies to make it easier for families to apply for and get the child care assistance they need.

First, the proposed rule encourages states to consider presumptive eligibility for PFCC. Presumptive eligibility prevents unnecessary delays for families to receive essential services, like child care. It does so by giving families temporary, immediate access while they complete the formal application process. Families still need to complete the regular application process to determine their ongoing eligibility for PFCC.

The rule also proposes simplifying the eligibility verification process. In Ohio, people who participate in Ohio Works First (OWF) are automatically eligible for PFCC. The rule encourages states to use enrollment in other programs, like SNAP or Head Start, the same way. The proposed rule also requires states to implement eligibility policies and procedures that minimize disruptions to parent employment, education or training.

Navigating the paperwork and process of applying and re-applying for child care subsidies is challenging for families. The proposed rules recognize the need to streamline the process and make it easier for families and program administrators. Ohio can pursue each of these strategies to eliminate unnecessary hurdles that too often result in eligible families missing out on the assistance they need.

Concern around funding and implementation

One significant concern we have is around the funding needed to enact these changes. The expiration of federal American Rescue Plan Act (ARPA) child care funds, the lack of ongoing sustainable state funding from Ohio lawmakers, and ongoing debates at the federal level are creating uncertainty about future funding for the Child Care and Development Fund and for

PFCC in Ohio. Absent more funding from the federal level, it will be challenging for Ohio to fully implement these and other changes in the proposed rule.

Conclusion

As Ohio leaders work to make Ohio the best state for families, they should pursue the strategies included in the proposed federal rule. The Office of Child Care is proposing a five-year phase-in for states to enact the required rules. One major question that remains is whether federal lawmakers will provide the necessary ongoing funding to enable states to do so.

At Policy Matters Ohio, we are concerned about the end of federal pandemic child care relief and the potential impact that could have on children, families, and child care providers. The changes outlined in the proposed rule as well as other strategies to lower child care costs for families — like increasing initial eligibility for PFCC in Ohio — could start shifting how Ohio supports children, parents, and child care providers. When lawmakers address high costs for families, stabilize providers, enhance the supply and quality of child care, and make it easier for families to get child care assistance, we can create a system that truly supports the needs of all children and families.

Take action today

If you or your organization are interested in submitting comments on the proposed rule, we are sharing template comments on the Notice of Proposed Rulemaking (NPRM) and a companion document developed by the Center for Law and Social Policy, in partnership with the National Women's Law Center, and National Association for the Education of Young Children.

Here are several ways to engage:

- Sign on to this letter, intended for state and national organizations.
- Use this template from NPRM to plan your public comment.
- Refer to this document for tips on using the template.
- See these resources for more information:
    - NPRM for Child Care and Development Fund (CCDF) regulations (45 CFR Part 98) | The Administration for Children and Families (hhs.gov)
    - FAQ from Community Change.
    - Tips on adding individual details to your public comment (with another template)