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## Basic Needs

# Ohio needs to invest in high-quality early care and education

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## Introduction

Every two years, Ohio lawmakers debate and pass a two-year budget. The state budget process is an opportunity for all Ohioans to encourage lawmakers to build a better future for children, adults and families.

All families need access to high-quality public preschool and child care so every child is safe, nurtured, healthy and ready to learn. Ohio supports a small number of public preschool slots and does little to help working parents afford the high cost of child care. Instead of making preschool and child care more accessible and affordable for families, state lawmakers passed a two-year budget that once again prioritized tax cuts that do little to strengthen our economy.

## Ohio's children are not ready for school

High-quality early care and education are some of the most effective investments of public dollars. In Ohio, only 40% of all kids and 24% of black kids come to kindergarten ready to learn.<sup>1</sup> Children who start kindergarten behind their peers often stay behind.

Extensive research shows that children need care as infants and toddlers to be prepared for kindergarten. Several studies show that children in high-quality early learning programs are more likely than their peers who don't participate in high-quality programs to have better health, higher graduation rates, and income. In other words, children who have access to high-quality early learning programs have a better chance of success in school and the future workforce.<sup>2</sup> That's why it is critical for all children in Ohio to have the opportunity to participate in high-quality child care and preschool.

## High-quality child care is unaffordable for many Ohio families

High-quality child care is unaffordable for far too many families, in part due to Ohio's low-wage economy. Six of the 10 most common jobs in Ohio pay too little to feed a family of three without food assistance. These six jobs pay on average less than \$26,000 annually.<sup>3</sup> Infant care in Ohio costs more than a third of that income: \$9,697 on average each year.<sup>4</sup> That leaves little to cover other essentials, such as food, housing, transportation, and health care. Ohio's low-wage economy underscores the urgent need for systemic solutions to support the economic security of families and strengthen our economy.

## Ohio is falling behind

State lawmakers' budget and policy choices have affected the quality, affordability, and accessibility of public preschool and child care in Ohio. For example, lawmakers decreased the level at which parents are eligible for publicly funded child care support. In 2009, families were eligible for support if they earned 200% of federal poverty level or less (for a family of three, \$41,137 or less in 2019 dollars). Figure 1 below highlights that lawmakers have since reduced the threshold to 130% (\$27,732 for a family of three). Only Indiana and Michigan make it harder for working families to qualify for child care support.<sup>5</sup>

Figure 1

<sup>1</sup> Jones, Shannon, Gutierrez, Lynanne, Fleeter, Howard, Hohner, Julia, "Ohio Early Childhood Race & Rural Equity Report," Ground work Ohio. <https://bit.ly/2NlpJTU>

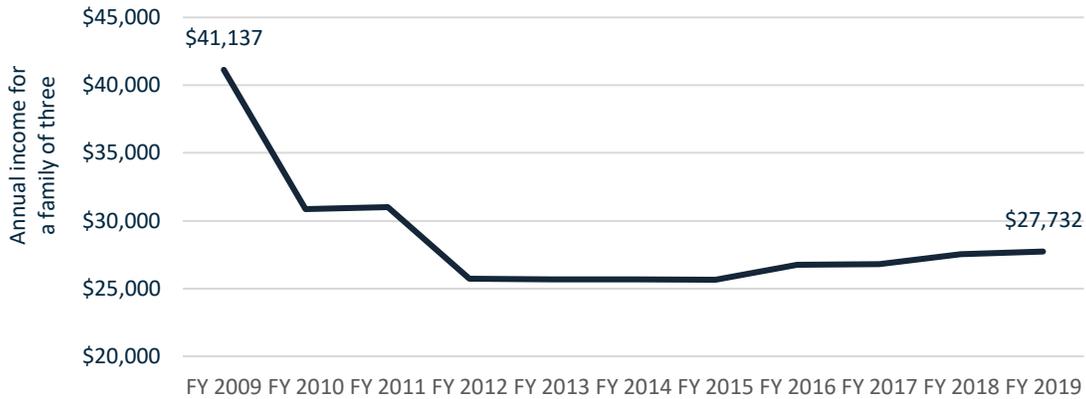
<sup>2</sup> Social Programs that Work, "The Perry Preschool Project," at <https://bit.ly/2IE68SX> see also James Heckman, "Research Summary: The lifecycle benefits of an early childhood program," at <https://bit.ly/2mFl3Jf>

<sup>3</sup> Halbert, Hannah, "Working for less: Too many jobs still pay too little, 2019," Policy Matters Ohio. <https://bit.ly/2Lkv4tz>

<sup>4</sup> Economic Policy Institute, "The cost of child care in Ohio." <https://bit.ly/2ANFaxy>

<sup>5</sup> Ullrich, Rebecca, Schmit, Stephanie & Cosse, Ruth, "Inequitable Access to Child Care Subsidies," CLASP. <https://bit.ly/2WxRH11>

**Fewer families are eligible for child care support**  
Initial eligibility has declined since FY 2009 (adjusted for inflation)



*Policy Matters Ohio, adjusted using Bureau of Labor Statistics CPI-U; 2019 dollars. Income eligibility based on Ohio Legislative Service Commission Greenbooks and on ODJFS Income Eligibility transmittal letter.*

Ohio also lags the nation in children’s access to public preschool. During the 2017-2018 school year, Ohio’s public preschool programs served less than 18,000 children, just 11% of 4-year-olds and 1% of 3-year-olds. Nationally, 33% of 4-year-olds and 6% of 3-year-olds are enrolled in public preschool.<sup>6</sup> Ohio ranks 33rd among states in preschool access and 38th in investment per child.<sup>7</sup>

Since 2005, lawmakers have steadily cut taxes for the wealthiest 1% of Ohioans, limiting the state’s capacity to make critical investments in the future. These funds could have helped improve the quality of child care and preschool and made the programs available to more children. Instead, the wealthiest 1% of Ohioans now take home more than \$41,000 in tax breaks every year due to these tax cuts.<sup>8</sup> Meanwhile, Ohio’s indicators for child health and well-being continue to trail the national average.<sup>9</sup>

Rather than continued tax cuts for the wealthiest Ohioans, we need to make long-term investments in high-quality preschool and child care to ensure Ohio’s children are ready to learn when they start kindergarten and to support parents who want to participate in the workforce.

**The 2020-21 state budget: public child care**

While Governor DeWine pledged to increase eligibility for publicly funded child care from 130% to 150% of the federal poverty level, policymakers did not allocate any funds in the two-year budget to accomplish this goal.<sup>10</sup> Increasing eligibility remains a goal for the DeWine Administration.

Lawmakers boosted funding for public child care by \$431.7 million over the two-year budget (Table 1). This funding will help improve the quality of child care and increase payments to child care providers that reach quality benchmarks. The vast majority of additional resources are from federal sources, including \$147.4 million from the Child Care Development Block Grant and \$273.5 million from the Temporary Assistance for Needy Families (TANF) program.

**Table 1**

<sup>6</sup> Friedman-Krauss, Allison, Barnett, Steven, Gaver, Karin, Hodges, Katherine, Weisenfeld, G.G., & DiCrecchio, Nicole, “The State of Preschool 2018,” The National Institute for Early Education Research. <https://bit.ly/2MUwPOw>  
<sup>7</sup> “The State of Preschool 2018,” The National Institute for Early Education Research, <https://bit.ly/2lwXk6k>  
<sup>8</sup> Schiller, Zach and Wendy Patton, “Overhaul: A plan to rebalance Ohio’s income tax,” Policy Matters Ohio. <https://bit.ly/2Q7MHwu>  
<sup>9</sup> The Annie E. Casey Foundation, “2019 Kids Count Data Book: State Trends in Child Well-Being,” <https://bit.ly/2o6C7wV>  
<sup>10</sup> DeWine Husted for Ohio, “Early Childhood Development.” <https://bit.ly/2p5BUKS>

Publicly funded child care funding 2020–2021 state budget (millions of dollars)						
Line item	Source	Program	2018-19 Actuals	2020-21 Budget	Change	Percent Change
600617	Federal	Child Care	\$515.8	\$663.2	\$147.4	28.6%
600689	Federal	TANF Block Grant*	\$443.8	\$717.3	\$273.5	61.6%
600413	GRF	Child Care State MOE	\$166.8	\$166.9	\$0.1	0.1%
600535	GRF	Early Care & Education	\$281.9	\$282.6	\$0.6	0.2%
600555	GRF	Quality Infrastructure Grants	\$0.0	\$10.0	\$10.0	100.0%
		<b>Total</b>	<b>\$1,408.4</b>	<b>\$1,840.0</b>	<b>\$431.7</b>	<b>30.7%</b>

Sources: Blain, Nicholas, "LBO Analysis of Enacted Budget: Department of Job and Family Services Greenbook," Ohio Legislative Service Commission (LSC). <https://bit.ly/2k8rest>. \*Note: Temporary Assistance for Needy Families (TANF) line items taken from the TANF Program Services Framework for SFY 2020-21, ODJFS. <https://bit.ly/2keRCRw>

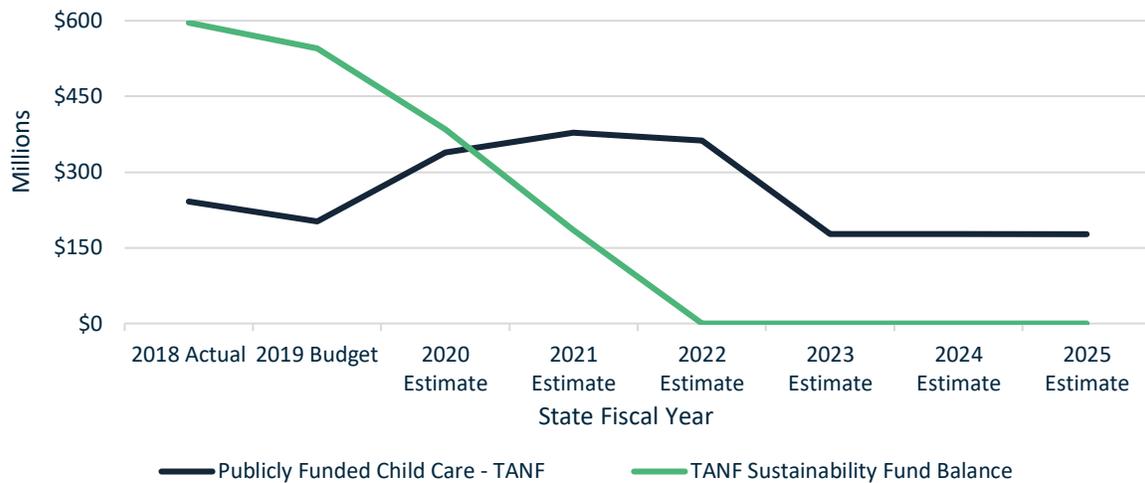
Ohio’s system for improving the quality of public preschool and child care programs is called Step Up to Quality (SUTQ). SUTQ is a rating system administered by the Ohio Department of Education and the Ohio Department of Job and Family Services. It aims to ensure all of Ohio’s children are kindergarten ready. Preschools and child care providers that participate in SUTQ are rated on a five–star scale: three stars is considered high-quality and five stars is the highest quality rating. SUTQ mandates that child care providers earn at least one star by July 2020 to receive per-child funding from the state, and three stars by 2025. If child care providers do not have a one-star rating by July 1, 2020, they will no longer be eligible for state funding.

In addition to federal resources, state lawmakers also included \$10 million for “quality infrastructure grants,” which will also help child care providers participate in SUTQ and improve the quality of care they offer. The budget also included an amendment to prevent child care providers in 13 counties from having their reimbursement rates cut.

One cause for concern is long-term sustainability of Ohio’s publicly funded child care system. TANF funding for child care in the two-year budget is critical for Ohio to reach its goals to improve the quality of child care, but TANF is not a sustainable source of funds. Over the last several years, the state of Ohio has not spent all of the TANF resources to ensure families are stable and secure. This has created a TANF surplus of \$596 million as of Fiscal Year 2019. These dollars are projected to run out after 2022.<sup>11</sup> The graph below highlights how the TANF surplus - called the “TANF Sustainability Fund” - boosts funding for child care between Fiscal Year 2020 and 2022. State projections show that when the surplus runs out in 2022, overall spending for publicly funded child care in TANF decreases (Figure 2).

**Figure 2**  
**Where will funds for public child care come from when the TANF surplus is spent?**

<sup>11</sup> Ohio Department of Job and Family Services, “Temporary Assistance for Needy Families (TANF) Program Services Framework for SFY 2020-21.” <https://bit.ly/2keRCRw>



Source: Policy Matters Ohio, based on memorandum provided by the Ohio Department of Job and Family Services to the House Finance Subcommittee on Health and Human Services, (“Temporary Assistance for Needy Families (TANF) Program.” Services Framework for SFY 2020-21). <https://bit.ly/2keRCBw>

State lawmakers need to find a sustainable source of state funding to support high-quality child care that is accessible to more families in Ohio. Expanding initial eligibility to parents with income up to 200% of the federal poverty level would make child care more affordable for tens of thousands of parents and support their participation in the workforce. Expanding eligibility would also give more children access to higher-quality care, setting them up for success in school.

### What would expanded child care eligibility mean for Ohio?

The Urban Institute analyzed the impact of expanding child care subsidies for children and parents across the nation with income at or below 150% of the federal poverty level. The report found the change would support the healthy development of children in low-income families, reduce child poverty, and support low-income parents’ participation in the workforce. In Ohio, an additional 23,400 families would be able to access child care. An additional 67,400 children (including 16,900 additional infants and toddlers) could access child care in an average month. The report also found that 12,100 children could be lifted out of poverty, and 8,600 mothers in Ohio would be able to join the workforce.<sup>12</sup>

### The 2020-21 state budget: public preschool

State lawmakers appropriated just over \$201 million for early education in the 2020-21 budget. This funding will support just under 18,000 preschool seats in the 2019-20 school year.<sup>13</sup>

Table 2						
Public preschool funding						
2020–2021 state budget (millions of dollars)						
Line item	Source	Program	2018-19 Actuals	2020-21 Budget	Change	Percent Change

<sup>12</sup> Giannarelli, Linda, Adams, Gina, Minton, Sarah, and Dwyer, Kelly, “What If We Expanded Child Care Subsidies?” Urban Institute. <https://urban.is/2MCPZrY>

<sup>13</sup> These are not full-day or full-week slots. According to the Ohio Department of Education Website: “Any preschool or daycare provider participating in the Early Childhood Education program created by H.B. 59 is required to have a schedule of at least 12 and ½ hours per week. This schedule is equivalent to part-time kindergarten, which equals 455 hours per year under Ohio Revised Code 3313.48.” See Ohio Department of Education guidance at <https://bit.ly/2lfe0Qd>

<b>200611</b>	FED	Early Childhood Education	\$24.1	\$25.1	\$0.9	4.0%
<b>200408</b>	GRF	Early Childhood Education	\$129.8	\$136.2	\$6.4	5.0%
<b>600696</b>	DPF	Early Childhood Education	\$39.4	\$40.0	\$0.6	1.5%
		<b>Total</b>	<b>\$193.4</b>	<b>\$201.3</b>	<b>\$8.0</b>	<b>4.1%</b>

Sources: Blain, Nicholas, "LBO Analysis of Enacted Budget: Department of Job and Family Services Greenbook," Ohio LSC. <https://bit.ly/2k8rest>. Glover, Jason, Redmond, Dan, Vitale, Alexandra, "LBO Analysis of Enacted Budget: Ohio Department of Education Greenbook," Ohio LSC. <https://bit.ly/2N2v80t>

Funding increased by \$8 million (4.1%) from the prior biennium, barely enough to keep up with inflation. The budget also supports special education for 3- to 5-year-olds with disabilities and early learning programs in smaller communities that participate in Step Up to Quality.<sup>14</sup> Much more investment is needed to expand high-quality public preschool to more children.

Representatives Cupp (R-Lima) and Patterson (D-Ashtabula) are working with education stakeholders across the state to develop a new school funding formula. The broad outline recommends that every economically disadvantaged 4-year-old has access to high-quality preschool.<sup>15</sup> The bill proposes a study to evaluate the multiple provider system for preschool education and look at alternative strategies to provide high-quality preschool for students from families with low incomes.

## Conclusion

High-quality public child care and preschool set kids up for a better future while supporting working parents. When children and families thrive, we all benefit from a stronger economy and a more prosperous state. While the as-passed state budget will continue to improve the quality of child care, we need bold leadership to ensure that every child in Ohio has high-quality early learning opportunities. Instead of continued tax cuts for the wealthiest Ohioans, state lawmakers need to prioritize long-term investments to improve the quality of life of children and families across the state.

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<sup>14</sup> Glover, Jason, Redmond, Dan, Vitale, Alexandra, "LBO Analysis of Enacted Budget: Ohio Department of Education," Ohio LSC. <https://bit.ly/2N2v80t> and Blain, Nicholas, "LBO Analysis of Enacted Budget: Department of Job and Family Services Greenbook," Ohio LSC. <https://bit.ly/2k8rest>

<sup>15</sup> PowerPoint on the Cupp-Patterson proposal at <https://bit.ly/2mvr99q>