

October 30, 2017

**BUDGET BITE: PUBLIC CHILDCARE AND EARLY EDUCATION**  
**WENDY PATTON**

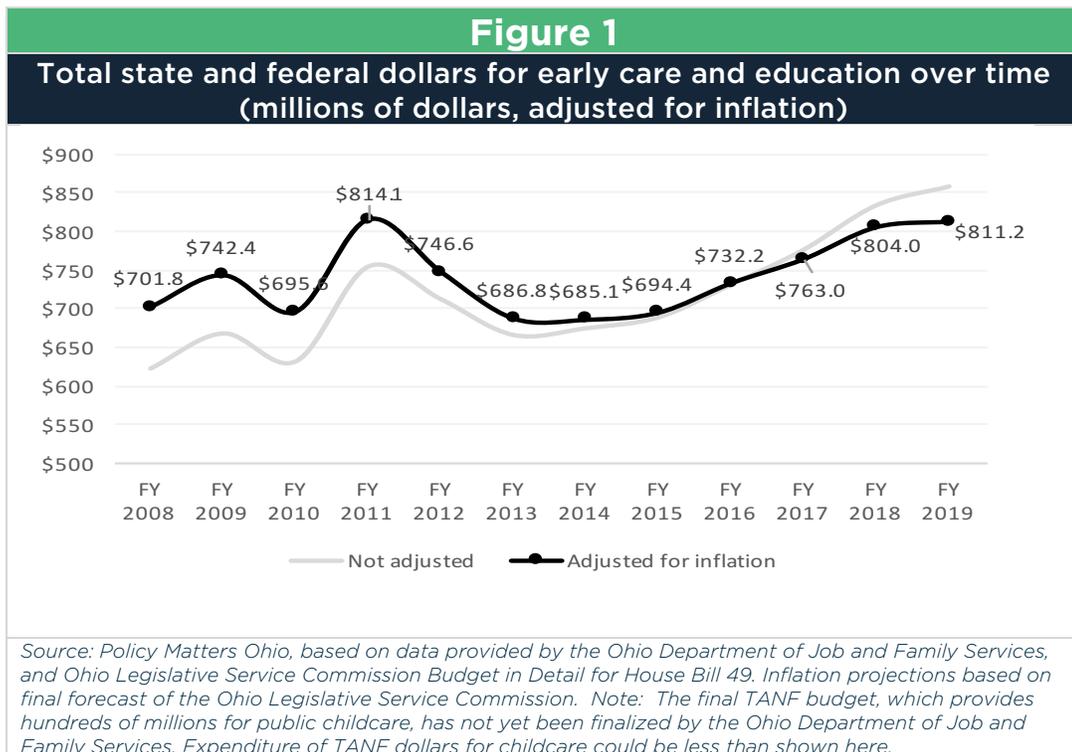
**INTRODUCTION**

High quality childcare is an investment in the future. It gives children a good start so they are more likely to succeed in school and life. It enables parents to work and paves the way for family financial stability. Both help build a bright future for Ohio.

But childcare costs are high and in Ohio, where the median wage in [11 of the 13](#) most common jobs pay less than \$34,000 a year. Many families with young children are in a pinch to pay the bill. Meanwhile, childcare providers on tight budgets struggle to deliver high quality care and retain skilled workers.

**THE 2018-19 BUDGET**

Deep public investment is the only solution. Unfortunately, this budget cycle, the Ohio legislature missed the mark. When adjusted for inflation, total state and federal funding for preschool and public childcare will remain lower in 2019 than in 2011 (Figure 1). Moreover, funding in the new budget contains certain federal dollars allocated for providers enrolled in a quality program, an enrollment level, which is aspirational but may not be reached.



Federal funding for public childcare and early learning rises in the 2018-19 budget compared to the prior two-year budget, according to early estimates of the Ohio Department of Job and Family Services. This is because of a larger allocation of federal funds from the Temporary Assistance for Needy Families (TANF) block grant than in the past. New funds are expected to cover increased reimbursement rates for childcare providers who move up in the state’s quality rating program, “Step Up to Quality.” But the success of this investment may be threatened by low base reimbursement rates for providers. Some childcare providers can’t afford up-front costs of qualifying for the program. It’s even harder in 38 counties that are misclassified in the rate structure and get payments far below what the market would warrant (39 percent of children are in misclassified counties).

When 2018-19 appropriations for public childcare and public preschool are analyzed against actual expenditures in 2016 and 2017, the budget appears to trend upwards. However, analysis of line items reveals that \$57.7 million intended for early care and education were not fully spent during 2016-17 (Table 1). State funds appropriated in a number of line items for 2018-19 are lower than they were in the enacted budget for 2016-17.

Table 1				
Underspending in 2016-17 early care and learning line items				
Program and agency line item	FY 2016-17 (enacted)	FY 2016-17 (actual expenditures)	Underspending in 2016-17 budget	FY 2018-19 (enacted)
Child Care- Federal (600617)	\$435.2	\$424.5	(\$10.7)	\$463.0
TANF (1) - Federal (600689)	\$456.3	????	????	\$575.4(?)
Early Childhood Educ. (200661)	\$29.1	\$23.4	(\$5.7)	\$25.2
Early Care and Educ. (600535)	\$287.1	\$284.4	(\$2.7)	\$282.6
State Childcare MOE(2) (600413)	\$169.5	\$169.4	(\$.1)	\$167.0
Early Childhood Educ. (600696)	\$40.0	\$26.6	(\$13.4)	\$40.0
Early Childhood Educ. (200408)	\$130.5	\$105.4	(\$25.1)	\$136.2

*Source: Policy Matters Ohio, based on Ohio Legislative Service Commission data and data from the Ohio Department of Job and Family Service Office of Communications, May 4, 2017. Note: (1) TANF spending plans are not finalized, so TANF funding for the program remains unclear. (2) “MOE” means “Maintenance of Effort” or required state match for federal funds.*

Because Ohioans didn’t use all funded preschool slots in the last budget period, lawmakers funded 500 fewer public pre-school slots in this one. New flexibility around age levels for pre-school under the new budget may boost enrollment, but misalignment between public childcare and public preschool creates problems. Income levels at which families can get aid for childcare and those at which they are eligible for public preschool can differ widely.

## RECOMMENDATIONS

Greater investment is needed to provide well aligned, high-quality childcare and preschool to Ohio’s low-income working families. To prepare more Ohio children for the future and help more parents stay at work, state policymakers can:

1. Boost base provider rates so providers can afford to enroll in the Step Up to Quality program, and make sure all providers are classified correctly in the rate structure.
2. Help more working families: It is harder to qualify for assistance in Ohio than in 42 other states. We need to restore initial eligibility for the program to 200 percent of poverty (about \$32,500 a year for a family of two);
3. Make eligibility for public childcare and public pre-school match so more working families can send their kids to the enriched learning experience of preschool.