



June 2018

Budget

Assessing Ohio's Child Care System

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Introduction

Infants and toddlers in Ohio need high-quality child care. There are nearly 400,000 working mothers in Ohio with children under age six and most use some form of child care when parents are working or for child enrichment purposes. This paper discusses how best to make sure children get good care and parents can continue to work, particularly for the 200,000 Ohio children who live under the official poverty line.¹

Child care is expensive for Ohio families. Child care in Ohio is also often low quality which means that children aren't getting the enrichment they need at a time in their life when high-quality care is essential to future success. Finally, Ohio's child care system is complicated to navigate, with parents not always knowing how to find or determine what constitutes quality care. For these reasons, the public sector has a crucial role to play in pushing quality improvements and in helping parents with the costs.

Families in Ohio can only initially qualify for publicly funded child care if they earn less than 130 percent of the official poverty line, which means that a mother of two who earns \$27,015 earns too much to become eligible. Only two states make it harder to qualify for state assistance.² Once a family is getting help, their earnings can increase without losing eligibility. But if the parent loses that job and then finds one that pays more than \$27,000, they are unable to get help.

The state of Ohio spends \$1.1 billion per year on child care programs, serving over 190,000 children per year.³ About 70 percent of Ohio's spending comes from federal funds and about 30 percent comes from state general revenue funds.

About 60 percent of state spending goes to publicly funded child care subsidies, which serve about 120,000 Ohio children.⁴ These subsidies are paid to providers to help low-income families, averaging a little under \$6,000 per child served, around two-thirds of the average cost of care.⁵ Ohio's public child care program will be getting a 10 percent boost of \$80 million with the passage of the federal omnibus spending package in March.⁶

Head Start is a federally-funded program serving over 35,000 Ohio children who are up to age five and living in poverty.⁷ Federal subsidies cover the full cost of care.⁸ A survey of benefit-cost analyses of Head Start suggests that \$1 invested in Head Start results in \$3.17 in

¹ "2017 State Child Care Facts in the State of Ohio," ChildCareAware, <http://usa.childcareaware.org>, source for previous two sentences.

² "State by State Fact Sheets: Child Care Assistance Policies 2016," National Women's Law Center, April 13, 2017.

³ Blaine, Nicholas, "Early Care and Public Childcare Spending," Ohio Legislative Service Commission R-132-0731, April 21, 2017.

⁴ "Public Assistance Monthly Statistics Report," ODJFS, January 2018, <http://jfs.ohio.gov>

⁵ Ibid; "2017 State Child Care Facts in the State of Ohio," ChildCareAware, <http://usa.childcareaware.org>

⁶ Hellman, Jessie, "Spending Bill Would Double Child Care Funding for Low-Income Families," The Hill, March 21, 2018, <http://thehill.com>;

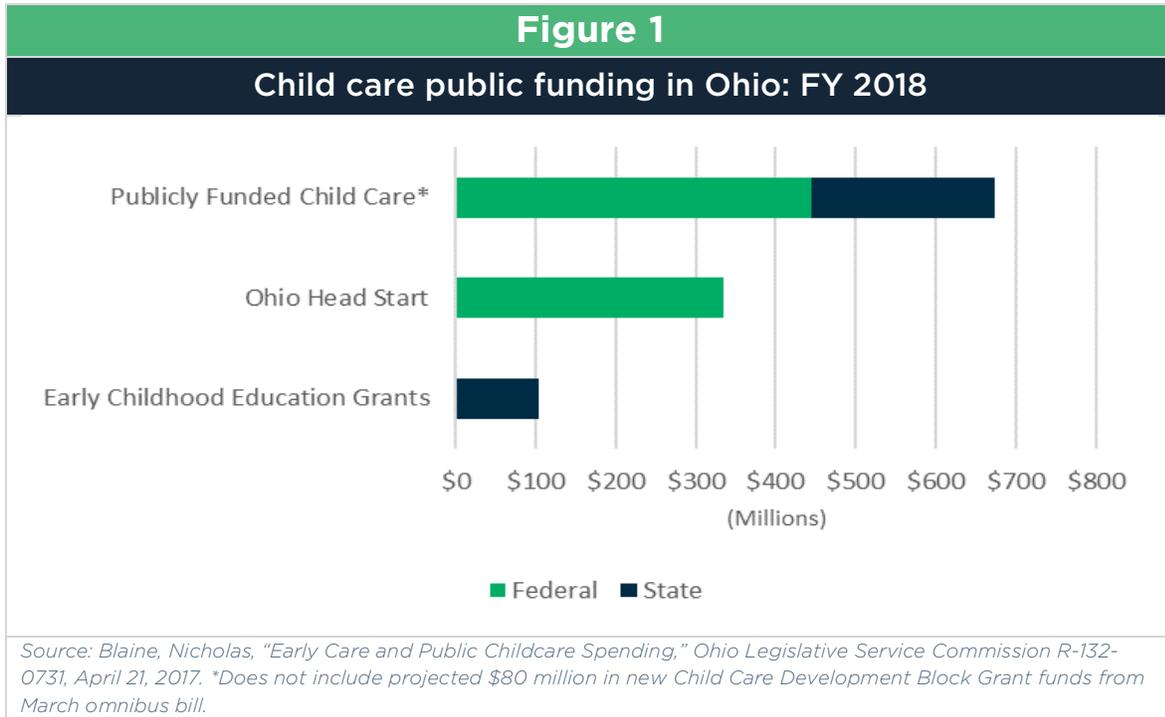
"Child Care in the FY 2018 Omnibus Spending Bill," CLASP, March 2018, <https://bit.ly/2pwvbmw>

⁷ Ohio Head Start Association, Inc., <http://ohsai.org/>.

⁸ Monowar-Jones, "Early Learning and Development Report." <http://jeoc.ohio.gov/Assets/EventFiles/341.pdf>

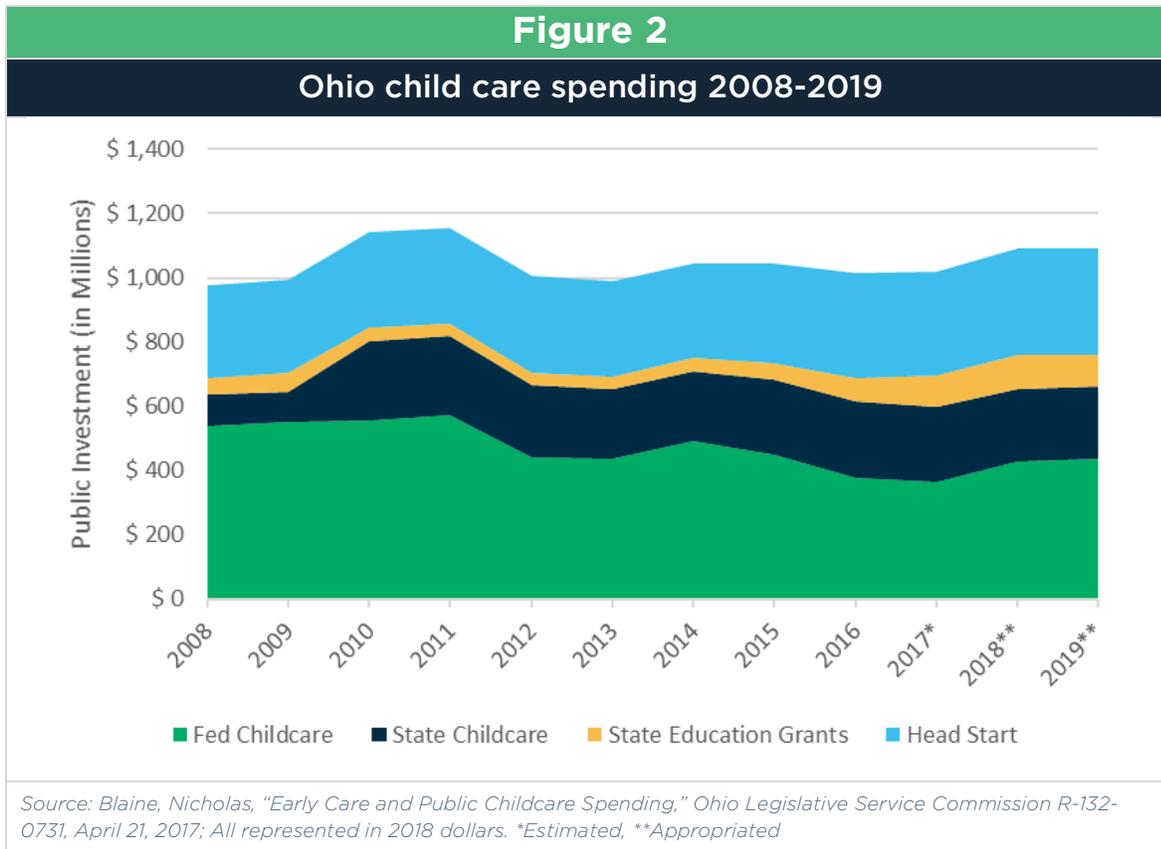
social benefits, largely through increased earnings associated with high school graduation.⁹ Head Start makes up 30 percent of Ohio’s statewide child care spending.

Ohio also has \$100 million in early education grants for high-quality preschool for low-income children. The Ohio Department of Education administers these dollars which fund slots for almost 18,000 students and support early learning in smaller communities and preschool special education programs.¹⁰



Over the past 10 years, total Ohio spending for early childhood education has been essentially flat after adjusting for inflation, hovering around \$1 billion. During that time, the state increased funding for public child care subsidies in 2010 and increased early education grants over the last few years. The federal government cut spending beginning in 2012 but will increase funding with passage of the federal omnibus spending bill last month.

⁹ "Head Start," Washington State Institute of Public Policy, December 2017, <http://wsipp.wa.gov>; this estimate is not as reliable as the experimental evaluations of Perry Preschool and Abecedarian Project. Experimental evaluation of Head Start will not have results on earnings and high school graduation rates for another decade or so.
¹⁰ Catalog of Budget Line Items: 2017 Edition, Ohio Legislative Service Commission, <http://lsc.ohio.gov>



While Ohio child care funding will get a small bump in the next two years, total spending will still be below 2010-2011 levels and remains below most states per capita.

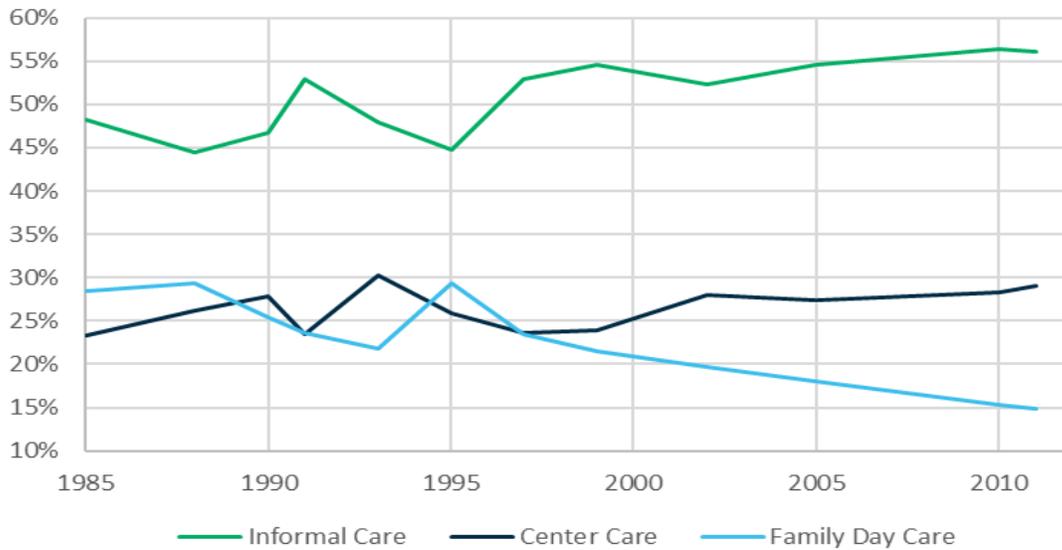
Funding is provided through reimbursements to child care providers. Currently, 38 of Ohio's 88 counties are miscategorized geographically regarding the market rate of child care. Further, reimbursement rates have not changed since 2008, meaning they are worth less when adjusted for inflation. Both of these issues are keeping an additional \$72.7 million out of the state child care system per year.

Child care in Ohio is provided in three major ways: informal care, family day care, and center care. Informal care is delivered by parents, extended family members, or irregular providers who are generally unregulated and outside traditional markets. Most informal care comes from family members and parents don't often pay for it. Family day care is a service run out of the homes of paid providers. Center care is provided in institutional settings, is generally more professionalized and serves more children per provider than informal or family day care.

Figure 3 shows national data on child care arrangements of preschool-age children with employed mothers over the past 30 years. Over half of these children are in informal settings, while the rest are in family day care or center-based care. Over the past 30 years, family day care use has declined, replaced in roughly equal shares by informal care and center-based care.

Figure 3

Primary care arrangements of preschool-age children with working mothers: Selected years, 1985 to 2011, national data



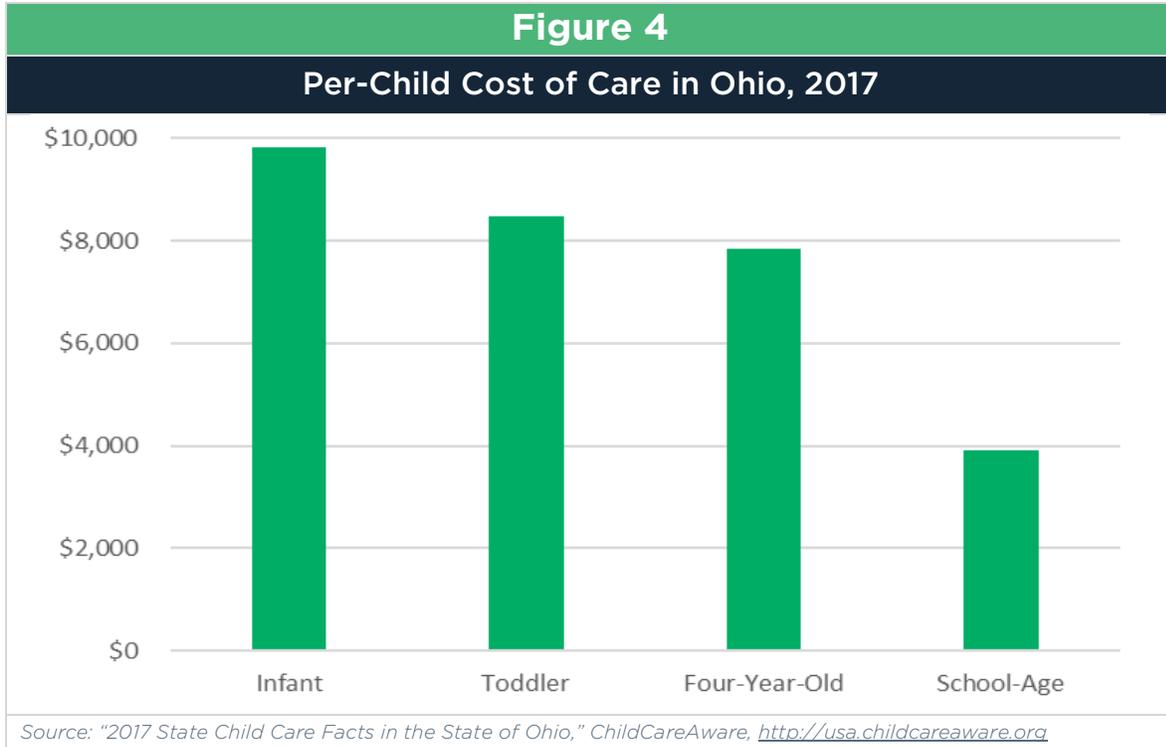
Source: Laughlin, Lydia, "Who's Minding the Kids? Childcare Arrangements: Spring 2011," Census.gov, Household Economic Studies, April 2013. A fifth "other" category mainly consisting of those without a regular arrangement is removed from this calculation since it began being assessed in 1995 and thus is not comparable over the total time period.

Access to Child Care

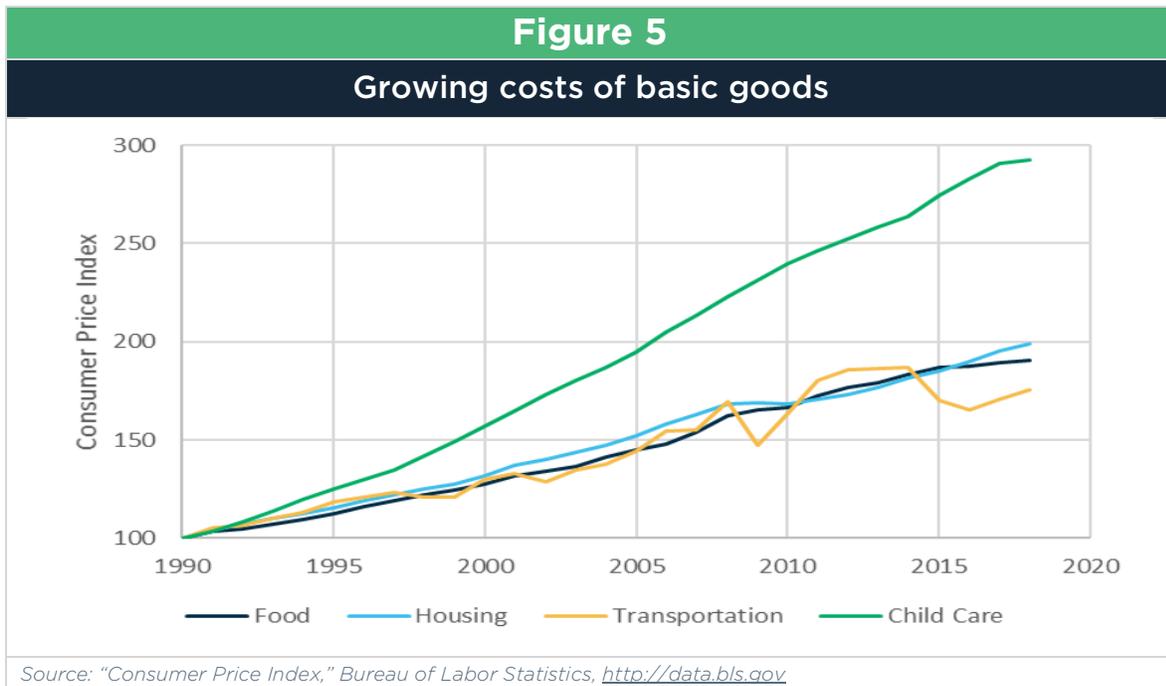
Child care is a financial burden for working parents. The average cost of care for young children generally falls in the \$7,000 to \$11,000 range and parents can pay as much as \$4,000 per child for school-age child care.¹¹ Of Ohio's ten most common occupations, seven pay so little that a single parent working full time and paying the low-end of that range would still spend a quarter of her income on care for one young child and more than half her income on care for two children. Child care costs for one child make up 40 percent of the budget of someone at the federal poverty level and 14 percent of the budget of the median wage earner in Ohio.¹² This makes child care assistance a crucial support for families that reduces poverty and also helps parents afford to work in low-wage jobs.

¹¹ "2017 State Child Care Facts in the State of Ohio," ChildCareAware.

¹² Ibid, "May 2017 State Occupational and Employment and Wage Estimates Ohio," Bureau of Labor Statistics, <http://bls.gov>, "Federal Poverty Level," Healthcare.gov, <http://healthcare.gov>. This assumes the lowest cost of care for a young child as reported by Child Care Aware and a single parent caring for one child.



Over the past 30 years, child care costs have grown almost 60 percent faster than the average cost growth of food, housing and transportation, as Figure 5 shows.¹³ This means these costs are taking up an increasingly larger share of household spending on essentials.



¹³ "Consumer Price Index," Bureau of Labor Statistics, <http://data.bls.gov>

For a single mother of two who earns under \$27,014, the average \$11,388 she could receive to pay for publicly funded child care can substantially reduce her expenses and her family's poverty.¹⁴ The average \$5,694 per-child annual child care benefit in Ohio is larger than the average benefit per person for Supplemental Nutrition Assistance Program (\$1,512), school lunch (\$5,440), the nutrition program for Women, Infants, and Children (\$564), or Low Income Home Energy Assistance Program (\$366), and is similar to the average housing subsidy benefit in Ohio (\$6,585).¹⁵ This makes it one of the largest ways that Ohio assists working families who are in poverty on a per-capita basis.

Families can only become eligible for child care if they earn less than 130 percent of poverty, which amounts to about \$27,000 for a family of three.¹⁶ Once eligible, if a beneficiary stays in the same job, she can retain child care assistance as long as she stays below 300 percent of the official poverty line, or about \$62,000 for a family of three.¹⁷ This feature is designed to reduce the impact of the "benefits cliff," which describes situations where a small raise in pay can lead to a big drop in benefits that exceeds the size of the raise.

Families at the official poverty line provide a co-pay for child care, which increases as income grows. Copayments cover up to 78 percent of child care costs for a single mother with one infant and one toddler. Ohio's system is less generous than what some experts recommend. Ohio State economics professor David Blau, for example, has outlined a variety of national options including expanding Head Start and public preschool, providing child care in public schools, or providing quality-related child care vouchers.¹⁸

As Table 1 shows, a problem with child care in Ohio is that the state makes it hard to qualify for child care assistance. A family of three in North Dakota, Maine, Alaska and New Hampshire can get help with child care with earnings above \$50,000 a year. Families in Ohio initially qualify only if they earn less than 130 percent of the official poverty line. A mother of two who earns \$27,015 earns too much to become eligible. Only two states make it harder to qualify.¹⁹ Once a family is getting help, earnings can increase without losing eligibility. But if the parent loses a job, then gets an offer above the \$27,000 level, they are unable to get help.

¹⁴ This is twice the \$5,694 average publicly funded child care subsidy listed in Monwar-Jones, "Early Learning and Development Report," <http://jeoc.ohio.gov>

¹⁵ "SNAP Helps Struggling Families Put Food on the Table," Center on Budget and Policy Priorities, February 14, 2018 <http://cbpp.org>; USDA FY 2017 Preliminary Data <http://usda.gov>; Prah, Pamela, "Why Are Fewer Moms Applying for WIC When Food-Stamp Use Is So High?" *Governing*, April 30, 2012, <http://governing.com>; "Fact Sheet: Federal Rental Assistance," CBPP, March 30, 2017 <http://cbpp.org>; "Low Income Home Energy Assistance Program: Report to Congress for Fiscal Year 2014," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Energy Assistance <http://hhs.gov>

¹⁶ "Federal Poverty Level," <http://healthcare.gov>

¹⁷ Ohio Revised Code 5104.38, <http://codes.ohio.gov>; Ohio Administrative Code 5101:2-16-01 <http://codes.ohio.gov>; "Federal Poverty Level," <http://healthcare.gov>

¹⁸ Blau, David, "An Economic Perspective on Child Care Policy," *Journal of Population and Social Security*, Supplement to Vol 1, 2002. <https://bit.ly/2jOHLOi>

¹⁹ "State by State Fact Sheets: Child Care Assistance Policies 2016," National Women's Law Center, April 13, 2017.

Table 1

Ohio makes it harder to qualify for child care help than almost all states
Child care eligibility as share of official poverty, all states

State	Share of poverty	Annual income	State	Share of poverty	Annual income	State	Share of poverty	Annual income
ND	314%	\$65,249	WY	186%	\$38,651	VA	150%	\$31,170
ME	271%	\$56,314	TX	184%	\$38,235	SC	149%	\$30,962
AK	269%	\$55,898	OR	184%	\$38,235	MT	149%	\$30,962
NH	249%	\$51,742	KS	184%	\$38,235	MD	149%	\$30,962
HI	234%	\$48,625	WI	184%	\$38,235	AR	148%	\$30,754
DC	227%	\$47,171	SD	182%	\$37,820	WV	147%	\$30,547
CT	221%	\$45,924	MN	180%	\$37,404	IA	145%	\$30,131
MA	221%	\$45,924	RI	179%	\$37,196	GA	140%	\$29,092
CA	209%	\$43,430	UT	177%	\$36,781	KY	138%	\$28,676
NM	199%	\$41,352	MI	174%	\$36,157	MS	138%	\$28,676
NC	199%	\$41,352	OK	174%	\$36,157	ID	130%	\$27,014
PA	199%	\$41,352	AZ	165%	\$34,287	AL	130%	\$27,014
DE	199%	\$41,352	CO	164%	\$34,079	NV	130%	\$27,014
WA	199%	\$41,352	IL	161%	\$33,456	NE	130%	\$27,014
NY	199%	\$41,352	TN	160%	\$33,248	OH	130%	\$27,014
VT	196%	\$40,729	LA	158%	\$32,832	IN	127%	\$26,391
NJ	196%	\$40,729	FL	150%	\$31,170	MI	118%	\$24,520

Source: "State by State Fact Sheets: Child Care Assistance Policies 2016," National Women's Law Center, April 13, 2017.

Child Development

Parents or guardians pay providers so their children are safe and cared for while they work. But quality care benefits more than the immediate family. Better child development also leads to higher wages, less crime, and less social spending.²⁰

The Perry Preschool Project, an experiment that ran from 1962 to 1967, provided high-quality preschool to three- and four-year-old African American children in poverty.²¹ Participants grew up to have higher graduation rates, earnings, IQ and other test scores, and lower arrest rates than control subjects.²² Nobel Prize winner James Heckman found that the program yielded a 7 to 10 percent annual social return on investment because of increased school and career achievement and reduced costs for remedial education, health, and criminal justice.²³

²⁰ "State and district early childhood education programs," Washington State Institute of Public Policy, December 2017, <http://wsipp.wa.gov>

²¹ "Perry Preschool Project," Social Programs that Work, January 25, 2018, <http://evidencebasedprograms.org>

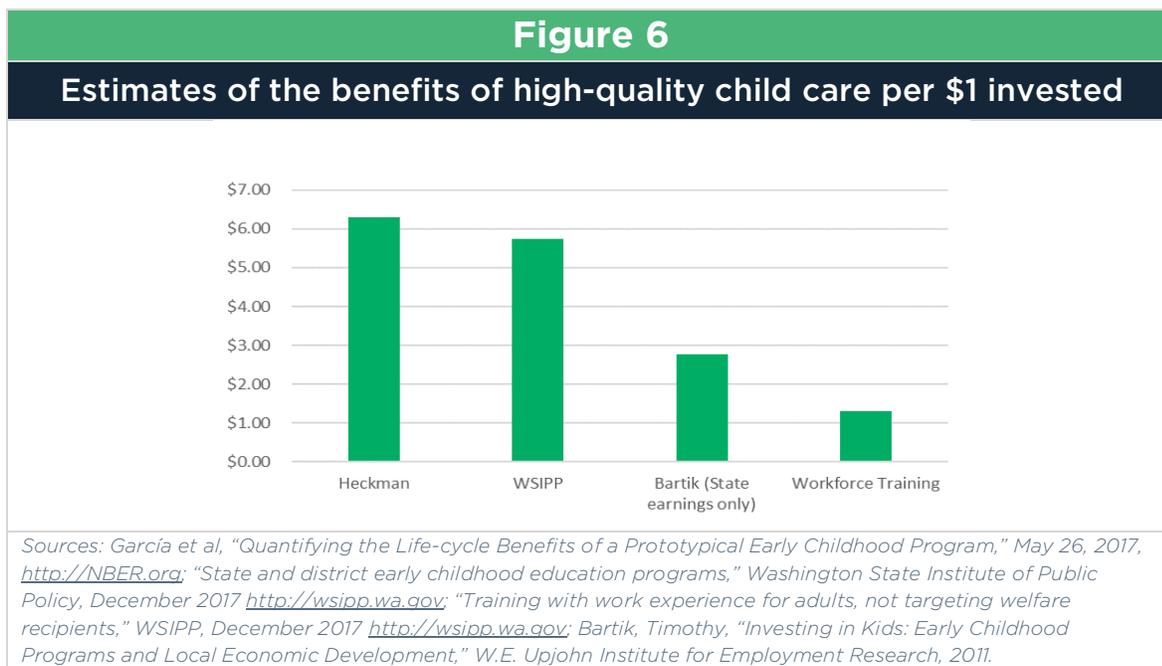
²² "Perry Preschool Study," Highscope Educational Research Foundation, 2017, <http://highscope.org>

²³ Heckman, James. "Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy," 2017, <http://heckmanequation.org>

The Abecedarian study, started in 1972, provided educational child care and high-quality preschool to zero- to five-year-olds from disadvantaged backgrounds.²⁴ Participants later had higher test scores, employment, and educational achievement.²⁵ Heckman’s analysis suggests that this earlier intervention may have brought even higher returns. He estimated that the program yielded 13 percent returns on social investment per year through better education, economic, health and social outcomes.²⁶ Overall, Heckman and his colleagues estimate that a typical early childhood program yields \$6.30 in social value for every \$1 invested.²⁷

Heckman is not alone in his findings. A Washington State Institute of Public Policy survey of 18 studies estimates that \$1 of investment in state and district early education programs yields \$5.74 in benefits, largely in improved labor market outcomes and reduced crime.²⁸ The ratio would be even higher if this study did not include increased public costs due to participants later taking advantage of higher education in greater numbers than they would otherwise. The same institute surveyed studies of workforce training programs and estimated they yield just \$1.30 for every \$1 invested, far below the benefits of early childhood education.²⁹

Even narrowly-construed measurements of the benefits of early childhood education demonstrate benefits. Timothy Bartik of the Upjohn Institute found that a universal pre-kindergarten program would yield \$2.78 for every \$1 invested, measured purely in increased earnings for state residents.³⁰



²⁴ “Abecedarian Project,” Social Programs that Work, November 20, 2017, <http://evidencebasedprograms.org>

²⁵ “Groundbreaking Follow-Up Studies,” The Carolina Abecedarian Project, <http://abc.fpg.unc.edu>

²⁶ Heckman, “Invest in Early Childhood Development,” <http://heckmanequation.org>

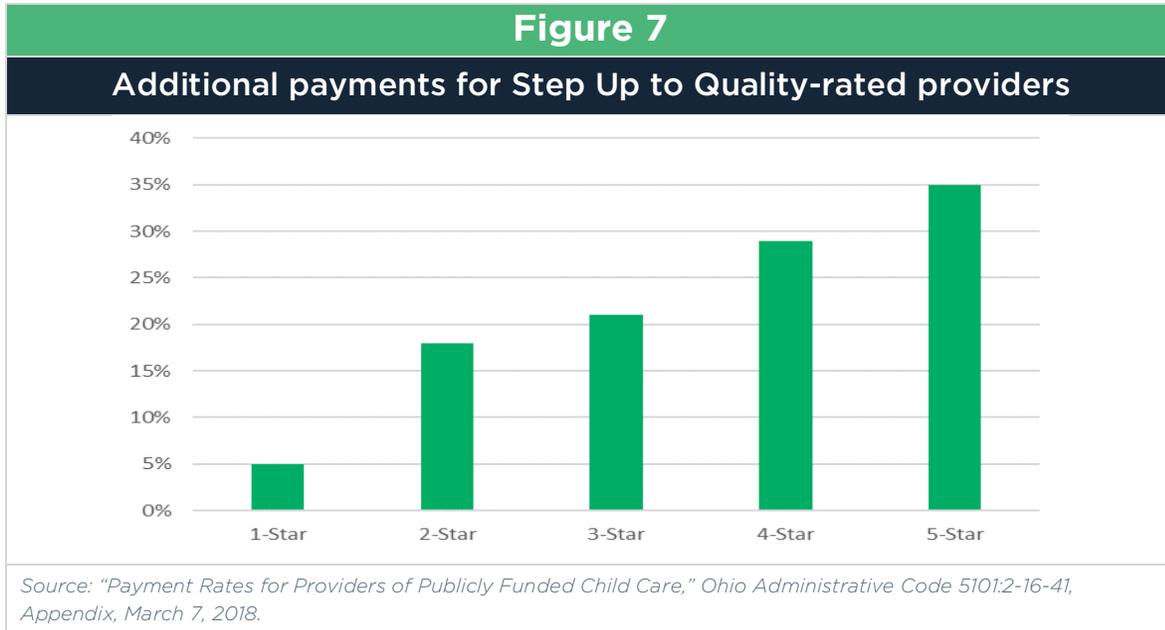
²⁷ García et al, “Quantifying the Life-cycle Benefits of a Prototypical Early Childhood Program,” May 26, 2017, <http://NBER.org>

²⁸ “State and district early childhood education programs,” Washington State Institute of Public Policy (WSIPP), December 2017, <http://wsipp.wa.gov>

²⁹ “Training with work experience for adults, not targeting welfare recipients,” WSIPP, December 2017, <http://wsipp.wa.gov>

³⁰ Bartik, Timothy, *Investing in Kids: Early Childhood Programs and Local Economic Development*, W.E. Upjohn Institute for Employment Research, 2011.

Ohio invests about \$776 million in child care subsidies.³¹ The General Assembly has tasked the Ohio Department of Job and Family Services with setting enhanced reimbursement rates for providers of quality care as determined by Step Up to Quality, Ohio’s quality improvement program.³² The Department bases reimbursement rates on type of provider, hours of care, age of children, and provider location.³³ These reimbursement rates are then increased based on Step Up to Quality ratings, time spent caring for children with special needs, and care during non-traditional hours of care.³⁴ Additional bonuses for quality ratings range from five percent for one star 35 percent for five stars.



Improving quality

To improve the quality of care and help parents identify quality programs, the state of Ohio has instituted Step Up to Quality, a certification program that rates child care providers on a five-star scale based on teacher and administrator educational certifications, curriculum, administrative policies, staff/child ratios and ratings by trained observers.³⁵ Step Up to Quality ratings are positively correlated with scores on the Early Childhood Environmental Rating Scale—a standard measure of early childhood education quality.³⁶

To make Step Up to Quality useful, parents have to be aware of and able to access ratings, and they have to be able to pay for better care. The Ohio Child Care Resource and Referral

³¹ Blaine, Nicholas J., "Early Care and Public Childcare Spending," Legislative Service Commission Memo R-132-0731, April 21, 2017; this does not include the \$340 million in federal funding for Head Start that goes straight to local governments.

³² Ohio Revised Code 5104.30, <http://codes.ohio.gov>

³³ "Payment Rates for Providers of Publicly Funded Child Care," Ohio Administrative Code 5101:2-16-41, Appendix, March 7, 2018.

³⁴ Ohio Administrative Code 5105:2-16-41, <http://codes.ohio.gov>

³⁵ "Four- and Five-Star Requirement Summary," Early Childhood Ohio, October 2017 <http://www.earlychildhoodohio.org>

³⁶ "Ohio' SUTQ: Validation Study Results," Compass Evaluation and Research, February 2017, <http://www.earlychildhoodohio.org>

Association has created an online “Ohio Child Care Finder” that allows families to search for nearby providers by address and filter results by ages served, type of center, rating, and whether the center accepts public funding.

Over the next decade, Ohio child care centers and family day care homes that receive state funding must meet a series of benchmarks set by the legislature. Starting in July 2020, the state will require that all centers receiving public child care dollars be rated in the Step Up to Quality system.³⁷ By 2025, only programs rated three stars and above will be eligible to receive public child care funding.³⁸

Table 2	
Statutory Benchmarks for Publicly Funded Child Care Centers	
Year	% 3+ Step Up to Quality Star Rated
2017	25%
2019	40%
2021	60%
2023	80%
2025	100%

Source: Ohio Revised Code 5104.29

Currently, Ohio’s child care and family day care centers are a little behind this statutory schedule. As of 2017, 21 percent of child care centers were rated three star or above, a four percentage-point increase over the previous two years.³⁹ At this rate of compliance growth, Ohio’s publicly funded child care and family centers will either have to speed up their compliance or fail to meet required statutory benchmarks.

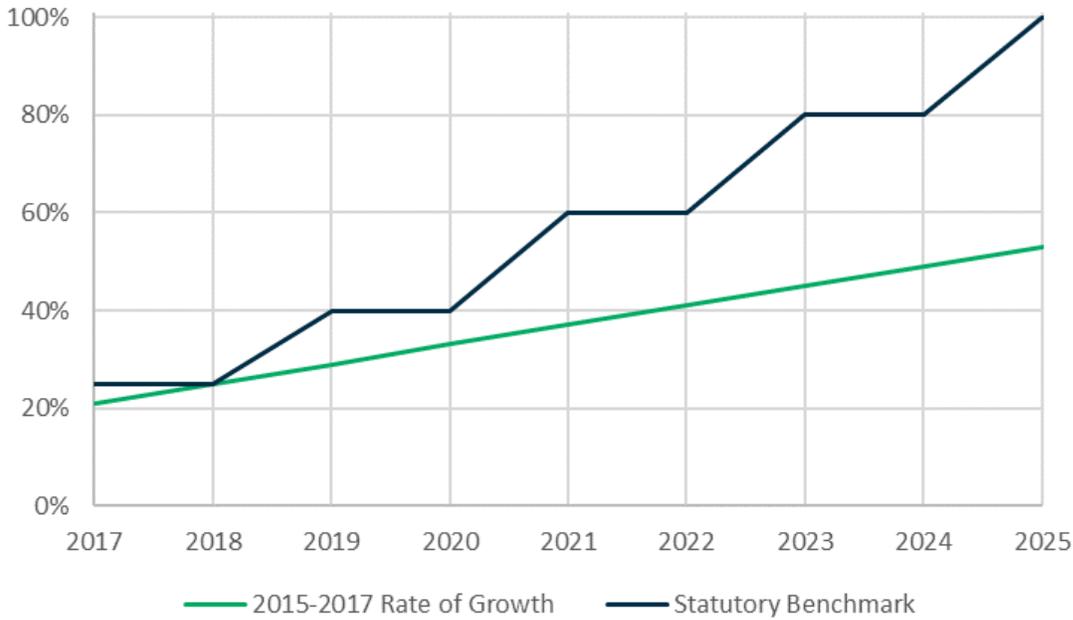
³⁷ “Step Up to Quality Overview,” Early Childhood Ohio, 2015, <http://www.earlychildhoodohio.org>

³⁸ Ohio Revised Code 5104.29 <http://codes.ohio.gov>

³⁹ ODJFS, as reported by Monowar-Jones, Lauren, “Early Learning and Development Report,” Presentation to the Joint Education Oversight Committee, March 22, 2018. <http://jeoc.ohio.gov>

Figure 8

3-Star+ Step Up to Quality compliance at 2015-2017 growth levels



Sources: ODJFS, as reported by Monowar-Jones, Lauren, "Early Learning and Development Report," Presentation to the Joint Education Oversight Committee, March 22, 2018 <http://jeoc.ohio.gov>; Ohio Revised Code 5104.29 <http://codes.ohio.gov>

Recommendations

Policymakers can improve the efficiency and effectiveness of Ohio’s child care system.

First and most simply, the Ohio Department of Job and Family Services should fix administrative issues that keep payment rates for child care subsidies artificially low. We recommend that Ohio adopt the Groundwork Ohio proposal to tie quality ratings to the 2016 market rate and readjust reimbursement rates to match geographic market rates.⁴⁰ Both of these issues could be corrected at a cost of \$72.7 million per year. Increasing these rates may ease providers’ difficulty in meeting Step Up to Quality benchmarks.

Additionally, we recommend raising initial eligibility for child care assistance. Ohio’s current 130 percent threshold for initial eligibility is third-lowest in the country.⁴¹ The median state sets its eligibility threshold at 55 percent of the state median income compared to 40 percent as Ohio does.⁴² To be at the average among states, Ohio would have to raise its eligibility to 179% of the federal poverty level. Raising eligibility to 200% of the federal poverty level, or

⁴⁰ "Ohio’s Publicly Funded Child Care Rate Structure," Groundwork Ohio, <http://groundworkohio.org/>

⁴¹ "State by State Fact Sheets: Child Care Assistance Policies 2016," National Women’s Law Center, April 13, 2017.

⁴² Ibid.

about \$42,000 for a single mother with two children, would put Ohio in striking distance of two thirds of the median income, the threshold the Pew Research Center defines as between low-income and middle class.⁴³ Assuming a take up rate of 16 percent (the national average), raising eligibility to 200 percent of poverty would cost about \$600 million per year.⁴⁴

Policymakers have options to increase access to affordable, high-quality child care in Ohio. Child care is complex and expensive, but it is also valuable for children, families, and the state as a whole. Policymakers should prioritize increasing access to high-quality child care for Ohio families.

⁴³ "Are You in the Middle Class?" Pew Research Center, FactTank, May 11, 2016, <http://pewresearch.org>; The eligibility level would have to be set at 650% of poverty to encompass all middle-class families.

⁴⁴ Number of children under 12 under 200% of poverty level from National Center for Children in Poverty, "Ohio Demographics of Low-Income Children," Children in Low-Income Families in Ohio, by Age, 2015 <http://www.nccp.org>. Children receiving child care dollars and average subsidy from Ohio Legislative Service Commission. "Early Childhood Programs." 7 February 2018. Unpublished report. Takeup rate from U.S. Department of Health and Human Services, Office of the Assistant Secretary of Planning and Evaluation. "Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2013." November 2017, <https://aspe.hhs.gov>

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