



Publicly Funded Child Care and Step Up To Quality Study Committee

Interim Committee Report
February 2022



February 9, 2022

Dear Speaker Cupp and President Huffman:

Throughout the last two months, the Study Committee on Publicly Funded Child Care and Step Up To Quality has held in-depth briefings with the Department of Job and Family Services and Department of Education. Plans are in place to further engage with many other members of the child care and early learning community to gain input on the structure of Ohio's publicly funded child care and early learning and development systems, and to begin considering recommendations for areas in which this structure can be improved for the benefit of the citizens of Ohio.

Accordingly, enclosed is an initial report highlighting the findings presented thus far to the Study Committee. Thank you for your attention to this important issue. We look forward to continuing to work together to provide Ohioans with the very best value and quality in their children's early learning and child care needs, and to help address the current and future workforce needs of our state.

Sincerely,

A handwritten signature in cursive script that reads "Jerry C. Cirino".

Senator Jerry Cirino, Co-Chair

Representative Andrea White, Co-Chair

I. Statutory Authority and Committee Membership

The Publicly Funded Child Care and Step Up To Quality Study Committee (the "Study Committee") was created in statute by Amended Substitute House Bill 110 of the 134th General Assembly.

Pursuant to the Ohio Revised Code Section 307.250:

(A) There is hereby established a study committee to evaluate all of the following regarding both publicly funded child care, as described in section 5104.30 of the Revised Code, and the Step Up to Quality Program, as created by section 5104.29 of the Revised Code:

- (1) The number of children and families receiving publicly funded child care;
- (2) The number of early learning and development programs, as defined in section 5104.29 of the Revised Code, participating in the Step Up to Quality Program administered by the Ohio Department of Job and Family Services and providing publicly funded child care;
- (3) The number of child care providers licensed by the Ohio Department of Job and Family Services;
- (4) Funding sources for both publicly funded child care and the Step Up to Quality Program;
- (5) The long-term sustainability of those funding sources;
- (6) Eligibility levels for publicly funded child care, including the levels at which families may lose their eligibility;
- (7) Issues regarding access to publicly funded child care and quality-rated early learning and development programs;
- (8) The administrative burdens that result from obtaining and maintaining a quality rating;
- (9) Alternative criteria by which a child day-care center or family day-care home that enrolls a low census of children receiving publicly funded child care may obtain a one-star rating in the Step Up to Quality Program;
- (10) The manner in which the Department of Job and Family Services establishes reimbursement ceilings for publicly funded child care, including through the use of market rate surveys.

(B) The committee shall consist of all of the following members:

- (1) The Director of the Ohio Department of Job and Family Services or the Director's designee who has experience in child care oversight;
- (2) The Superintendent of Public Instruction or the Superintendent's designee who has experience in child care or early childhood education;
- (3) Two directors of a county department of job and family services, one appointed by the Senate President and one appointed by the Speaker of the House of Representatives, each with experience in publicly funded child care oversight;
- (4) A home-based child care provider providing publicly funded child care appointed by the Senate President;
- (5) A center-based child care provider providing publicly funded child care appointed by the Speaker of the House of Representatives;
- (6) A representative of the Ohio Society of Certified Public Accountants appointed by the Speaker of the House of Representatives;
- (7) Two representatives, each from a child care advocacy organization, one appointed by the Senate President and one appointed by the Speaker of the House of Representatives;
- (8) A representative of the business community appointed by the Senate President;
- (9) Three members of the Senate, not more than two from the same party, each appointed by the Senate President;
- (10) Three members of the House of Representatives, not more than two from the same party, each appointed by the Speaker of the House of Representatives.

The Senate President shall appoint one of the members described in division (B)(9) of this section to serve as the committee's co-chairperson. The Speaker of the House of Representatives shall appoint one of the members described in division (B)(10) of this section to serve as the committee's other co-chairperson.

The appointments required by this section shall be made not later than thirty days after the effective date of this section.

Members shall serve without compensation.

If a member appointed to the committee no longer satisfies the grounds upon which the member was appointed, the member is ineligible to continue to serve on the committee and a new member shall be appointed in accordance with division (B) of this section.

(C)(1) To evaluate the issues described in division (A) of this section, the committee shall meet at the call of the co-chairpersons, with the first meeting to be held not later than thirty days after appointments have been made. The committee shall hold hearings to receive testimony from the public and relevant state agencies and boards.

(2) Not later than December 31, 2021, the committee shall evaluate and recommend alternative criteria by which a child day-care center or family day-care home that enrolls a low census of children receiving publicly funded child care may obtain a one-star rating in the Step Up to Quality Program.

The committee may issue reports as necessary and shall issue a final report with any findings or recommendations not later than December 1, 2022.

Any report issued by the study committee is nonbinding and shall be considered only as a recommendation.

The committee shall provide a copy of each report it issues to the Governor and to the Ohio General Assembly and Ohio Legislative Service Commission in accordance with division (B) of section 101.68 of the Revised Code.

(3) The staff of the Legislative Service Commission shall provide services to the committee.

(D) This section expires on the adjournment of the 134th General Assembly.

Director Matt Damschroder serves in the role of the Director of the Department of Job and Family Services' appointment.

Dr. Wendy Grove, Director of the Department of Education's Office of Early Learning and School Readiness, serves in the role of the Superintendent of Public Instruction's designee.

The Senate President appointed the following members to the Study Committee:

Senator Jerry Cirino, <i>co-chair</i>	State Senator, R-Kirtland
Senator Andrew Brenner	State Senator, R-Powell
Senator Hearcel Craig	State Senator, D-Columbus
Joe Patton	Director, Allen County Job and Family Services, Allen County
Domanica Ede	Owner, Safe Haven Family Child Care, Allen County
Monica Deitz	Assistant Superintendent, Diocese of Cleveland, Cuyahoga County
Kristi Phillips	Director, Cincinnati Business Committee, Hamilton County

The Speaker of the House appointed the following members to the Study Committee:

Representative Andrea White, <i>co-chair</i>	State Representative, R-Kettering
Representative Mark Fraizer	State Representative, R-Newark
Representative Mary Lightbody	State Representative, D-Westerville
Roxane Somerlot	Director, Marion County Job and Family Services, Marion County
Karen Lampe	President, CWCC Inc., Warren County

Lauren Hagan	Chief Financial Officer, Columbus Metropolitan Library, Franklin County
Todd Barnhouse	Chief Executive Officer, Ohio Child Care Resource and Referral Association, Franklin County

II. Public Hearings

Prior to February 9th, 2022, the study committee has held two public hearings. Information presented in this report is based on presentations made to the committee on December 8th, 2021 and on January 12, 2021. Facts, figures, and information not available in these presentations are cited within the report.

Date	Presenter	Topic
12.08.21	Dr. Wendy Grove Director, Office of Early Learning and School Readiness, Ohio Department of Education	In-Depth Briefing: Ohio’s Publicly Funded Child Care System and Step Up To Quality Program <ul style="list-style-type: none"> • Overview of Child Care in Ohio • Ohio’s Publicly Funded Child Care Program • Federal Quality Rating Improvement System (QRIS) • Step Up to Quality, Ohio’s QRIS • Funding Sources and High-Level Funding Summary
	Mindy Kowalski Assistant Director, Ohio Department of Job and Family Services	
1.12.21	Dr. Wendy Grove Director, Office of Early Learning and School Readiness, Ohio Department of Education	Step Up To Quality Program - Assessment <ul style="list-style-type: none"> • Program Original Goals • Results/Metrics/Quality Research In-Depth Review • In-Depth Look at 5-Star System - Review of Requirements, Administrative Burden, Incremental Results, and Expenditures • Current Training and Supports Available For Providers • Then vs. Now Needs Assessment • ODJFS/ODE Current Recommendations For Improvement
	Mindy Kowalski Assistant Director, Ohio Department of Job and Family Services	

III. Background on Child Care in Ohio

Overview

The state of Ohio provides subsidized child care to assist income-qualified parents who are engaged in the workforce, school, or job training program. Quality child care is provided by multiple types of operators, including licensed child care centers, Type A and Type B family home child care settings, and through preschool and school age programs. Each licensed provider must comply with necessary health and safety standards. Child care centers, Type A programs, and preschools must be licensed to perform child care services. Type B and school-age programs must also be licensed if receiving public funding. The state also requires that, as of September 2020, a licensed provider must be rated under the Step Up To Quality program in order to participate in the state's publicly funded child care (PFCC) program.

Publicly funded child care is provided via a combination of money from federal Child Care and Development Fund (CCDF) grants, Temporary Assistance for Needy Families (TANF), and state expenditures. Eligible families choose a state-licensed program that fits their needs and apply for funding assistance; that application is reviewed and approved by the county job and family services agency; the provider signs a provider agreement for PFCC with the Ohio Department of Job and Family Services (ODJFS) and the eligible family is authorized to a provider with an agreement;. The state then pays the child care provider directly for the time in which that family's children attend and receive child care. Programs are licensed by ODJFS or the Ohio Department of Education (ODE). Families who are enrolled in Ohio Works First (OWF) or are at or below 142% of the federal poverty level (or 150% of the federal poverty level for families of a child with special needs in need of child care) are generally eligible to participate in the program, and may remain in the program on a graduated sliding scale until they reach 300% of the federal poverty level.

Step Up To Quality (SUTQ) is Ohio's quality rating and improvement system for licensed early learning and development programs. Programs are rated one to five stars based on their adherence to the quality standards set for each star level rating. Qualifying programs have an increased base rate that is 4% higher than non-rated programs. Additionally, such programs receive an enhancement above their SUTQ rated base payment rate depending on the star level attained, ranging from 5% for a one-star rating to 35% for a five-star rating. The Step Up To Quality program is jointly administered by ODJFS and ODE.

History

Federal law requires that each state expend money on quality activities as part of their Child Care and Development Block Grant (CCDBG) funding. The reauthorization of the CCDBG Act in 2014 added activities for states to improve the quality of child care services for all children, including developing and implementing a tiered Quality Rating and Improvement System (QRIS). Ohio, along with other states, first began development of a QRIS after passage of the Child Care and Development Block Grant Act of 1990.

Ohio adopted a statewide tiered QRIS for licensed child care providers in 2006, called Step Up To Quality, which was initially a voluntary rating system for licensed child care programs established by rule¹. Participation in the program made a child daycare center eligible for grants, technical assistance, training, and other assistance. Providers were also eligible for monetary awards for maintaining their quality rating. In 2012, S.B. 316 of the 129th General Assembly established a new requirement that all publicly funded child care providers participate in Step Up To Quality by July 1, 2020. Also in 2012, H.B. 487 of the 129th General Assembly required early childhood education programs be rated in

¹ Ohio Administrative Code, Chapter 5101:2-17.

Step Up To Quality by July 1, 2016, and that special education programs for preschool children with disabilities run by school districts, education service centers, or county DD boards be rated by July 1, 2018.

Additional updates to the Step Up To Quality program have occurred since 2012. H.B. 64 of the 131st General Assembly codified the program in the Ohio Revised Code² and required it be jointly administered by JFS and ODE. H.B. 64 further required that Type A homes and child care centers providing publicly funded child care be highly rated by June 30, 2025. “Highly-rated” was determined to be rated in at least the third highest tier in Step Up To Quality, meaning they receive at least three stars. Revisions to the program were made in H.B. 166 of the 133rd General Assembly. H.B. 166 removed the requirement that approved child day camps and certified in-home aides be rated under Step Up To Quality in order to participate in publicly funded child care, and specified that the highly-rated requirement for publicly-funded providers did not apply to licensed programs operating on summer breaks or on evening and weekend hours.

H.B. 197 of the 133rd General Assembly delayed the requirement for licensed providers receiving public funding to be rated under Step Up To Quality from July 1, 2020 to September 1, 2020. H.B. 110 of the 134th General Assembly subsequently removed the requirement that licensed providers receiving public funding be highly rated (at least three stars) by the end of June 2025. Early learning and development programs must still be rated in Step Up To Quality in order to participate in publicly funded child care.

IV. Snapshot of Program Information

As part of its statutory obligation, House Bill 110 directed the study committee to evaluate all of the following:

- (1) The number of children and families receiving publicly funded child care;
- (2) The number of early learning and development programs, as defined in section 5104.29 of the Revised Code, participating in the Step Up to Quality Program administered by the Ohio Department of Job and Family Services and providing publicly funded child care;
- (3) The number of child care providers licensed by the Ohio Department of Job and Family Services;
- (4) Funding sources for both publicly funded child care and the Step Up to Quality Program;
- (5) The long-term sustainability of those funding sources;
- (6) Eligibility levels for publicly funded child care, including the levels at which families may lose their eligibility;
- (7) Issues regarding access to publicly funded child care and quality-rated early learning and development programs;
- (8) The administrative burdens that result from obtaining and maintaining a quality rating;
- (9) Alternative criteria by which a child day-care center or family day-care home that enrolls a low census of children receiving publicly funded child care may obtain a one-star rating in the Step Up to Quality Program;
- (10) The manner in which the Department of Job and Family Services establishes reimbursement ceilings for publicly funded child care, including through the use of market rate surveys.

In response to this statutory requirement, the committee has thus far received responses specifically on items #1, #2, #3, #4, #6, #8, and #10 that are provided here.

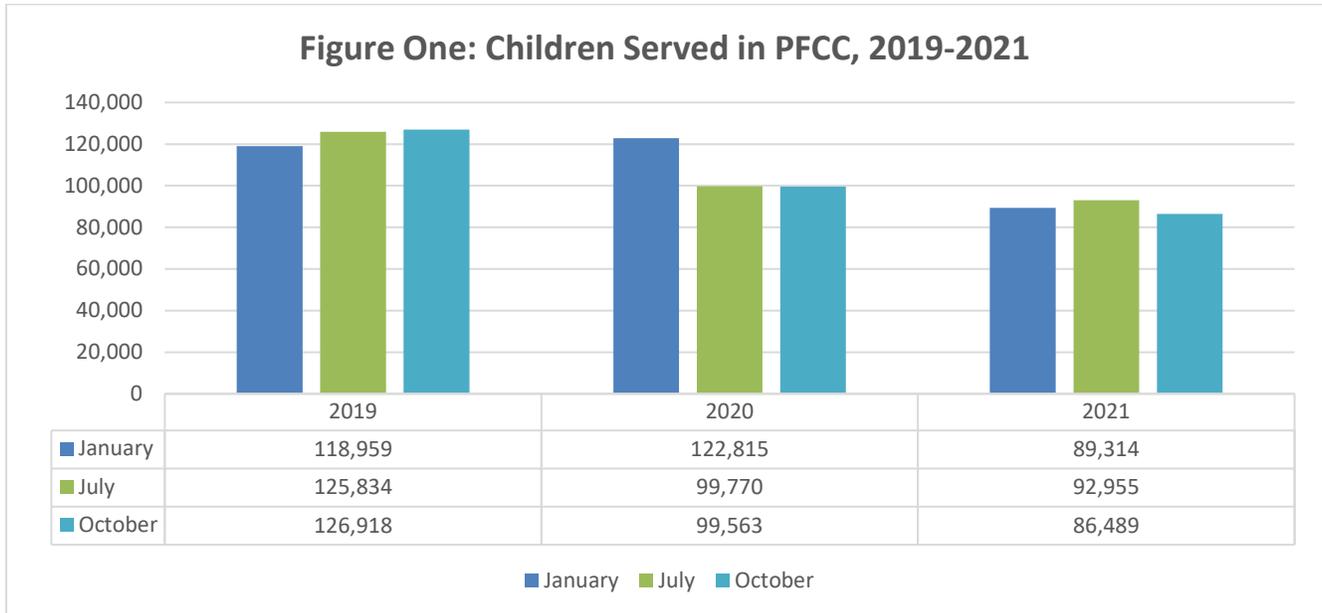
(1) The number of children and families receiving publicly funded child care:

ODJFS estimates that in October 2021, 114,376 children were authorized to receive publicly funded childcare through a child care center, Type A, or Type B home in October 2021. The number of authorized children increases to 116,170 when all programs under ODJFS and ODE, day camps, in-home aides, and out of state registrants are included.

² Ohio Revised Code, Section 5104.29, <https://codes.ohio.gov/ohio-revised-code/section-5104.29>.

Furthermore, 86,489 children utilized PFCC in October 2021 at a child care center, Type A, or Type B home. When including all programs under ODJFS and ODE, day camps, in-home aides and out of state registrants, ODJFS estimates that 94,986 children received PFCC in October 2021. ODJFS estimates that a total of 54,733 families were authorized to receive PFCC in October 2021, of whom 47,677 families actually utilized PFCC.

Figure One below provides a tri-annual overview of the number of children served in PFCC from January 2019 to October 2021.



(2) The number of early learning and development programs, as defined in section 5104.29 of the Revised Code, participating in the Step Up to Quality Program administered by the Ohio Department of Job and Family Services and providing publicly funded child care:

ORC Sec. 5104.29(A) defines an “early learning and development program” as having the same meaning as a “licensed child care program” under ORC Sec. 5104.01. Sec. 5104.01(BB) defines a licensed child care program as a child day-care center licensed by ODJFS, a Type A family day-care or Type B family day-care home licensed by ODJFS, and a licensed preschool program or licensed school child program. Licensed preschool and school child programs are licensed by ODE.

According to ODJFS, the Department had licensed 6,301 programs in October 2021. This includes 4,028 child care centers, 275 Type A homes, and 1,998 Type B homes. Of these 6,301 programs, 511 providers are exempt from participating in SUTQ but do hold agreements with ODJFS to provide PFCC. The remaining 5,790 centers, Type A, and Type B homes include 4,300 programs with agreements to provide PFCC, and 1,490 programs without an agreement to provide PFCC. 4,256 of those 4,300 providers were also star-rated under SUTQ. A breakdown on star rating is provided below:

- 1 star: 2,349 programs
- 2 stars: 208 programs
- 3 stars: 644 programs
- 4 stars: 329 programs
- 5 stars: 726 programs
- *Total Rated Programs: 4,256 programs*

An important note to these numbers: not all licensed child care providers choose to participate in Step Up To Quality.

(3) The number of child care providers licensed by the Ohio Department of Job and Family Services:

In addition to the 6,301 licensed child care centers, type A and Type B homes outlined in (2) above, in October 2021, ODJFS had also approved 164 day camps and certified 17 in-home aides providing child care in Ohio. A further 1,490 preschool child care programs and 376 school age child care programs were licensed by ODE.

(4) Funding sources for both publicly funded child care and the Step Up to Quality Program:

Publicly funded child care is supported through several funding sources, including funds from the TANF Services Framework, funding from the U.S. Department of Health and Human Services Child Care and Development Block Grant (CCDBG), state General Revenue Fund (GRF) support, and dedicated resources earmarked for early learning and development programs. In the current biennium, appropriations were made in five line items. State GRF is appropriated through Appropriation Line Items (ALIs) 600413 (Child Care State/Maintenance of Effort) and 600535 (Early Care and Education). ALI 600689 provides the overall TANF appropriation for the state, a portion of which is used annually for PFCC. Federal child care funding is appropriated through ALI 600617, and Early Childhood Education funding is appropriated through ALI 600696. A breakdown of those amounts for FY 2022 is provided below.

FY22 Appropriation Levels

Total FY22	\$868,504,345
Child Care and Development Block Grant	\$397,326,154
TANF Funds	\$234,131,211
State General Revenue Fund	\$224,746,980
Early Childhood Education	\$12,300,000

(6) Eligibility levels for publicly funded child care, including the levels at which families may lose their eligibility:

The eligibility levels for children to be served by publicly funded child care are referenced in Figure Two below. This includes the “intake” level at which children in families at or below this level qualify for PFCC, and the “outtake” level at which participating children are no longer eligible to be served by PFCC. Figures for the current operating biennium are projections.

Figure Two: Eligibility Levels for PFCC, FY2004-FY2023

Effective Date	Intake	Outtake	Children Authorized (by state FY)
7/17/2003	150%	165%	FY2004: 95,408 FY2005: 85,351
7/01/2005	185%	186%	FY2006: 89,770 FY2007: 93,397 FY2008: 95,606
7/01/2008	200%	201%	FY2009: 97,385
7/01/2009	150%	200%	FY2010: 103,169 FY2011: 107,865
7/01/2011	125%	200%	FY2012: 113,325 FY2013: 117,893

			FY2014: 116,077 FY2015: 115,360 FY2016: 117,625 FY2017: 118,764
7/01/2017	130%	300%	FY2018: 117,123 FY2019: 114,798
FY2022/2023	142%	300%	FY2022 projected: 117-120,000 FY2023 projected: 119-122,000

(8) The administrative burdens that result from obtaining and maintaining a quality rating:

The state, as a result of the 2014 reauthorization of the Child Care and Development Block Grant, has implemented quality standards for providers participating in SUTQ beyond the minimum health and safety requirements in place to become a licensed child care provider³. A licensed provider that participates in PFCC must complete a provider agreement with ODJFS; a provider that will also seek to be rated under SUTQ must comply with requirements under the following categories:

- Curriculum and planning
- Child screening and assessment
- Interaction and environment
- Staff supports
- Program administration
- Staff management
- Staff education
- Professional development
- Transitions
- Communication and engagement

Figure Three below references the current breakdown determining star ratings for providers.

Figure Three: High-Level Summary of Provider Requirements, by Star Level

	1-star	2-star	3-star	4-/5-star
Written transition plan	X	X	X	X
Written Wage Structure	X	X	X	X
Description of professional development plan	X	X	X	X
Community Resource Information	X	X	X	X
Action plan for selecting curriculum	X			
Curriculum Alignment Tool		X	X	X
Family Engagement Activities		X	X	X
Sample transition plan activities		X	X	X
Records Transfer policies		X	X	X
Approved Staff supports		X	X	X
Health and Child Development Information		X	X	X
Development screening tool for children		X	X	X

³ Ohio Administrative Code, Rule 5101:2-17-01, <https://codes.ohio.gov/ohio-administrative-code/rule-5101:2-17-01>.

Self Assessment tool		X	X	X
Continuous improvement plan		X	X	X
Health Referral Process			X	X
Family Education Information			X	X
Development Screening Referral process			X	X
Health Screening Process			X	X
Extra pts for Professional Development				X
Extra Points for Education				X
Sub-Domain Points				X
Staff/Child Ratio points				X

The committee was informed by ODJFS at its January 12, 2022 meeting that the Department will soon implement reforms intended to reduce the administrative burden for providers participating in SUTQ. These reforms are intended to aid newly-licensed providers that are becoming rated and pre-existing providers maintaining their rating. ODJFS is also preparing to utilize a continuous rating process for existing SUTQ-rated providers that will maintain each providers' rating designation, rather than requiring annual renewal or reporting. Modifications to the provider's star rating can still be made based on the annual review by ODJFS staff, but will eliminate the requirement for providers to submit ongoing registration and annual reports to the Department. ODJFS will also reduce the number of forms required for providers based on their star rating. The Department's anticipated paperwork revisions are summarized in Figure Four below.

Figure Four: Anticipated Paperwork Requirements for Star-Rated Providers

	Current paperwork requirements	Reduced paperwork requirements
1-Star	11	0
2-Star	24	8
3-Star	38	11
4/5-Star	46	14

(10) The manner in which the Department of Job and Family Services establishes reimbursement ceilings for publicly funded child care, including through the use of market rate surveys:

Ohio PFCC rates are determined by a Child Care Market Rate Study conducted approximately every two years. The market rate survey is required under federal law and provides the state with necessary information regarding current market rates for child care programs across Ohio by provider type, child age group, and region. The survey gathers information on rates, enrollment, and barriers to participation in PFCC, and seeks information from child care providers who serve families who pay for child care without financial assistance as well as providers who participate in the PFCC program⁴. The information is used in part to establish reimbursement ceilings and payments for PFCC providers, including enhanced reimbursement ceilings for child care providers participating in the SUTQ system. Providers' reimbursement rates vary by the county in which they are located.

⁴ 2020 Ohio Child Care Market Rate Survey Analysis, "Final Report Draft Prepared for the Ohio Department of Job and Family Services," Strategic Research Group, 28 January 2021, p. 100, <https://jfs.ohio.gov/cdc/docs/2020-Ohio-Child-Care-MRS-Report-FINAL.pdf>.

Current rates are based on the 2020 Child Care Market Rate Survey, which included 6,401 unique provider locations: child care centers, Type A and Type B family child care homes, approved day camps, and preschool and school age child care programs licensed by ODE⁵. Initial work has begun for the 2022 Child Care Market Rate Survey; ODJFS has submitted an initial request for proposal seeking a vendor to conduct the survey, which is expected to begin in summer 2022 and conclude in early 2023. Information from the 2022 survey will be used to determine reimbursement rates for the following two years.

Current PFCC weekly payment rates were established by ODJFS in Rule 5101:2-16-10 of the Ohio Administrative Code.⁶ Each county in Ohio is included within one of three categories. Payment rates vary for providers based on which category their resident county is included within and upon whether that provider participates in SUTQ, as well as the child's age group, whether that child is receiving care full-time, part-time, or on an hourly basis, and on the type of provider.

V. Next Steps

The purpose of this interim report is to provide information responding to several of the items the Publicly Funded Child Care and Step Up To Quality Study Committee was charged with evaluating by Section 307.250 of House Bill 110. The committee will continue to hold hearings over the coming months as part of its evaluation of Ohio's publicly funded child care and Step Up To Quality systems. The committee plans to release a final report at a future point in 2022, and additional interim reports if needed, detailing each of its findings and any recommendations based upon its observations of these systems.

⁵ 2020 Ohio Child Care Market Rate Survey Analysis, p. 3.

⁶ Ohio Administrative Code, Rule 5101:2-16-10 Appendix A, [https://codes.ohio.gov/assets/laws/administrative-code/pdfs/5101/2/16/5101\\$2-16-10 PH FF A APP1 20210322 0854.pdf](https://codes.ohio.gov/assets/laws/administrative-code/pdfs/5101/2/16/5101$2-16-10 PH FF A APP1 20210322 0854.pdf).