

Health and Human Services Finance Subcommittee Testimony

The Honorable David Burke, Chairman

April 8, 2011

Thank you for the opportunity to testify before you this morning to discuss the impact of the proposed budget cuts to the TANF program and concerns regarding the child care reimbursement system. My name is Randy Cochrane and I am the Director of the Muskingum County Department of Job and Family Services.

Let me begin by stating that this is not a battle against child care providers. They provide a great service and the vast majority do a phenomenal job. This is about a change in the child care provider reimbursement system which began in July, 2005 and which the counties believe has cost Ohio taxpayers literally tens of millions of dollars by allowing providers to be paid at a rate which far exceeds what they were being reimbursed at the former hourly rate.

The concerns expressed in my March, 2005 clearance comments to the Ohio Department of Job and Family Services on this issue have unfortunately been proven to be correct. My comments at that time included multiple examples of how providers may be able to take advantage of the new reimbursement system and stated "full time and part time rates are not a true reflection of the services provided. The change in the reimbursement rates will cause child care providers to recruit as many 8 hour or 25 hour children as possible". This, of course, is exactly what has occurred in many instances.

As an example, in July, 2010, we identified five child care providers (all related) watching four children from one household for one day each week (7 hours) for each of the five pay weeks. Each was then paid the part-time rate for each week for each of the four children. Collectively, those five providers were paid \$6,415 for watching these four children for the month of July. If only one provider had watched the four children each day of the week for the five week period, she would have been paid \$2,282, or \$4,133 less than what they received collectively. The same five providers also shared kids from seven other families and were paid over \$20,000 for the month, approximately \$13,000 more than they would have received if the children remained in one home for the entire week.

I emailed ODJFS the details of the above situation and was told there may be a very logical reason why the providers were moving the kids around on a daily basis and was asked to contact the providers for an explanation. There certainly was a reason! Here are some direct quotes we received from the providers we contacted:

"It is more beneficial to watch 10 families part time than have three full time families"

"It's smarter to be paid for 40 hours and work only 25 hours and this is how the policy is set up"

"The attitude of the providers is to do as minimal work as possible and be paid the most amount of money for the work"

"No private pay family would ever pay the amount I receive for 7 hours of care, however the state will pay it"

"ODJFS made it this way, so that providers only have to watch children for 7 hours, so we arrange our schedules this way. We collect all the parent's schedules for the week and then divide up all the time and days so everyone benefits"

The cumulative total of the top 5 highest paid child care providers in Muskingum County in 2004 was \$187,806. In 2010, that total was \$397,850, an increase of 112%! On average, the pay of each of the five increased over \$42,000 annually.

The highest paid provider in my county in 2010 earned \$100,741. In 2004, she earned \$28,064. Doing virtually the same amount of work she has been able to increase her annual income by \$72,677, or 260%. She is watching 21 children, nearly all of them for 7 hours per week in order to maximize her pay.

In 2005, 1,519 children received publicly funded child care in Muskingum County. The total paid to the providers that year was \$2,403,503, or \$1,582 per child. In 2009, the number of children totaled 1,840 and the total paid to providers was \$3,975,388, or \$2,160 per child, an increase of 36.5 %.

This problem is not isolated. I am aware of at least 8 counties in southeast Ohio who have similar stories to share. In fact, they have already shared their concerns with ODJFS.

Beginning May 1, 2011 parents will be limited to using two child care providers, only one of which may be full time. ODJFS is claiming this will eliminate the problems I have just presented. While I agree it may reduce the number of times children are being moved from provider to provider, it will not eliminate the problem.

Example #1: From February 27 to March 26 of this year, a preschool child was watched by three providers. One was paid the full time rate for all four weeks and two were paid the part time rate for all four weeks. In total, the three providers were paid \$821 of public dollars for the four week period for this one child. Under the rules which will take effect in May, two providers could be paid \$414 of public dollars for watching this one child for the same number of hours over the four week period. If an hourly rate were paid, the two providers could receive \$356 of public dollars for watching this one child for the same number of weeks over the four week period.

Example #2: From February 27 to March 26 of this year, an infant was watched by three providers. All three were paid the part time rate for all four weeks. In total, the three providers were paid \$622 of public dollars. Under the rules which will take effect in May, two part time providers could be paid \$337 of public dollars or watching this one child for the same number of hours over the four week period. If an hourly rate were paid, the two providers could receive \$80 of public dollars.

ODJFS is proposing a reduction of \$80 million in child care expenditures. The savings is being forecasted by reducing child care access to eligibility from 150% to 125% of the federal poverty level and reducing child care provider reimbursement rates by 7%.

In the budget proposal before you, county job and family service agencies are projected to lose an additional \$83 million in TANF funding annually. This is in addition to the \$128 million in annual cuts in the current biennium for welfare to work and community based programs.

If ODJFS is convinced that the limit of two providers per household will eliminate the problem, what is their projection for savings and how are those savings being reinvested to ensure quality work support and work programs are in place in the state?

Cuts to the child care system and Ohio's welfare to work program will have a detrimental impact to the families of Ohio. Unnecessary expenditures need to be, and can be, eliminated. We have an opportunity make meaningful changes which will improve the state's TANF system.

I, along with my colleagues at the county department of job and family services, am committed to working with the General Assembly, ODJFS and the Governor to address this concern and work towards a solution that ensures program integrity and maximizes funding to Ohio's low income families.

Thank you for the opportunity to speak with you today regarding this important issue. I would be happy to answer any questions.