

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 933

(Delegate Queen, *et al.*) (By Request - Study Group on
Economic Stability)

Ways and Means

Child Care Scholarship Program - Alterations (Maryland Child Care Working
Families Act)

This bill generally expands upon statutory provisions relating to the Child Care Scholarship (CCS) Program administered by the Maryland State Department of Education (MSDE). Among other things, the bill (1) specifies criteria that MSDE must use and consider when determining a child's initial eligibility for subsidized child care under the program, including establishing that a child residing with a parent whose gross annual household income is up to 85% of the State's median income (SMI) is eligible; (2) specifies that a child who is determined to be eligible for subsidized child care under the program must remain eligible for the following 12 months, regardless of specified changes in circumstances; and (3) eliminates copayments for families whose income is less than 75% of SMI. The bill may not be construed to create a private right of action or entitlement to subsidized child care. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: State expenditures increase *significantly* beginning in FY 2023 to meet the bill's requirements, as discussed below. FY 2023 expenditures also increase by \$91,000 to cover one-time programming costs. Revenues are not affected.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful, to the extent that additional families participate in the CCS program due to the expanded eligibility for services.

Analysis

Bill Summary: To be initially eligible for subsidized care under the CCS program, a child must (1) reside with a parent who is engaged in a qualifying activity or be a vulnerable child; (2) reside in the State; and (3) reside with a parent whose gross annual income does not exceed 85% of SMI. The bill specifies that in determining initial eligibility, MSDE must consider the annual income of the child's family and the size of the child's family. A child deemed eligible remains eligible for 12 months, regardless of (1) a temporary change in the status of the parent or parents of the child; (2) a change in residency within the State; (3) an increase in gross annual household income that does not result in a household income above 150% of the maximum allowable federal poverty level; and (4) the child attaining the age of 13, or if the child has documented special needs, the age of 19.

A child whose family has no household income must be eligible for subsidized child care under the program at the lowest subsidy rate. MSDE may limit the amount of child care subsidies under the program based on available resources or funding. If MSDE implements a waiting list for subsidized child care under the program, MSDE must give priority to (1) children in families with very low incomes; (2) children in families whose total assistance does not exceed \$1.0 million; and (3) vulnerable children.

For families whose gross annual household income exceeds 75% of SMI, the maximum copayment must be based on a sliding scale up to 2% of gross annual household income.

Current Law: The CCS Program (formerly known as the Child Care Subsidy Program) is administered by the Division of Early Childhood within MSDE. The program provides financial assistance for child care costs to families who meet income eligibility requirements. For each child needing care, the family receives a voucher to purchase child care directly from the provider of their choice that participates in the program. The State pays the subsidy to providers, while the parent pays the required copayment and any remaining balance between the actual rate charged by the provider and the voucher amount. Eligibility for the program and the size of a family's copayment are primarily determined by family income, which places the family in an income eligibility scale in 10 categories. Families eligible for Temporary Cash Assistance Benefits and Supplemental Security Income recipients are exempt from copay requirements.

State Expenditures: State expenditures under the CCS Program increase *significantly* beginning in fiscal 2023.

The proposed fiscal 2023 budget includes \$151.8 million in total funds for subsidies under the CCS Program (\$93.3 million federal funds/\$58.5 million general funds). The funding is predicated upon the program serving qualifying families with income that is no more than 75% of SMI (the program currently serves children in families with incomes up to

approximately 65% of SMI). The bill expands eligibility to qualifying families with income that is up to 85% of SMI. While expanding eligibility for services increases the costs of the program, a reliable estimate of the specific impact cannot be made at this time based on available information.

The bill also eliminates the parental copay under the CCS Program for families with an income below 75% of SMI. MSDE advises that the average annual copay under the CCS Program amounts to \$1,061 per year. Based *solely* on the average monthly number of children enrolled under the program using the most recent 12 months of available data (15,632), the minimum cost of this provision of the bill is *at least* \$16.6 million annually. The Department of Legislative Services (DLS) notes that this amount does not account for expanded enrollment in the program based on income eligibility guidelines and is instead based on the current threshold of serving families *only* up to 65% of SMI. Accordingly, actual expenditures associated with this provision are likely to be *considerably higher*.

MSDE also anticipates one-time programming costs of approximately \$91,000 in fiscal 2023 to redesign eligibility criteria within the Child Care Administrative Tracking System.

Funding Source

Although this analysis assumes the use of both general funds and federal funds, DLS notes that considerable federal funding from the Child Care and Development Block Grant has been made available to the CCS Program and that unspent federal funds can be reserved or carried forward into future years. Accordingly, any impact on the general fund may be mitigated, particularly in the first several years of this bill's implementation, depending on the extent of federal funds available for these purposes.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Department of Legislative Services

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