

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 873 (Senator M. Washington)
 Education, Energy, and the Environment and
 Budget and Taxation

Child Care Provider Stabilization Program - Established

This bill establishes the establishes the Child Care Provider Stabilization Program within the Maryland State Department of Education (MSDE) to provide “stability funding” to eligible child care providers in the State. MSDE generally must (1) develop application procedures and a process to award stability funding to eligible child care providers; (2) each month, determine the amount of each stability funding award for each eligible provider, as specified; and (3) award stability funding, on a monthly basis, to each eligible provider that applies and maintains eligibility, as required. Beginning in fiscal 2025, the Governor must include in the annual budget bill an appropriation for the program that is sufficient to provide stability funding to all eligible child care providers. The funding must be supplemental to – and may not supplant – funds otherwise available for (1) child care providers that enroll children who receive a subsidy under the Child Care Scholarship (CCS) Program and (2) children who receive a subsidy under the CCS Program. MSDE must adopt regulations to implement the bill. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$200,000 in FY 2024 for computer reprogramming. Beginning in FY 2025, general fund expenditures increase by approximately \$93.8 million annually due to the bill’s mandated funding, as discussed below. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.2	93.8	93.8	93.8	93.8
Net Effect	(\$0.2)	(\$93.8)	(\$93.8)	(\$93.8)	(\$93.8)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Definitions

An “eligible child care provider” is a child care provider that (1) possesses a certificate of registration or license that is current and not subject to any pending regulatory action (including revocation and suspension) and (2) signs an agreement with MSDE indicating the provider is willing and able to enroll children who receive a CCS Program subsidy.

“Stability funding” means funding provided under the program to an eligible child care provider that may be used only for:

- cleaning and food supplies that are used directly in the provision of child care;
- employee wages, including bonuses;
- offsetting expenses paid by subsidized and unsubsidized clients;
- promotional materials used to promote the child care provider’s program and curriculum; and
- any other expenses directly related to the provision of child care (including capital projects).

The amount of each monthly stability funding award for each eligible child care provider is \$2,500, if the provider has enrolled children who receive a subsidy under the CCS Program, as specified. If the eligible provider did not participate in the CCS Program, the subsidy is \$300.

Current Law: The CCS Program (formerly known as the Child Care Subsidy Program) provides financial assistance with child care costs to low-income families that meet applicable State or federal requirements. The program is funded through a combination of State funds and the federal Child Care and Development Block Grant. All participating parents or guardians must meet a variety of technical requirements and must be working or enrolled in school, a training program, or a work-related activity.

To meet income requirements, an individual must meet income guidelines that vary based on family size or be a recipient of Temporary Cash Assistance (TCA) or Supplemental

Security Income (SSI). Beginning July 1, 2023, MSDE will establish a process for granting presumptive eligibility to individuals who attest to meeting the eligibility requirements for a scholarship, as required by Chapters 525 and 526 of 2022. Effective May 23, 2022, MSDE also increased the income eligibility threshold to 75% of the State median income using federal assistance distributed to states during the COVID-19 pandemic (as discussed below).

For each child needing care, eligible families receive a voucher with the subsidy rate, which is used to purchase child care directly from the provider of their choice. Families also receive access to information and referral services to assist them in finding appropriate child care. Subsidy rates are determined by the geographic region, type of provider, and age of the child. For purposes of the program, the State is divided into seven geographic regions. A family that does not receive TCA or SSI may be required to contribute a copayment, and any remaining balance between the actual rate charged by the provider and the voucher amount. In accordance with Chapters 525 and 526, MSDE must award subsidies in an amount sufficient to ensure that an individual will not be required to pay a copay if they participate in certain programs, such as the Supplemental Nutrition Assistance Program or the federal Housing Choice Voucher Program. Effective May 23, 2023, MSDE also reduced copays for all other participating families to a range of \$1 to \$3 per week.

Registered family child care homes or licensed child care centers are able to serve families receiving child care subsidies. Under certain circumstances, a voucher may be used for informal child care, such as relative care or in-home care, if approved by the State. Child care providers accepting child care scholarships must participate in the Maryland EXCELS program. MSDE determines provider reimbursement rates based on market rate surveys of the geographic regions conducted every two years. Providers who go beyond the State's licensing and registration requirements and meet specified quality standards are also eligible to receive higher payments from the program through a tiered reimbursement system.

According to the Administration of Children and Families under the U.S. Department of Health and Human Services, the benchmark for child care subsidy rates is at least the seventy-fifth percentile of market rates. Chapters 595 and 596 of 2019 required the State to adjust reimbursement rates to a minimum of the sixtieth percentile of the most recent market rate survey beginning in fiscal 2021. MSDE further raised reimbursement rates to the seventieth percentile on May 23, 2022, using supplemental Child Care and Development Block Grant funding allocated during the COVID-19 pandemic.

State Expenditures: Beginning in fiscal 2025 (when the mandated funding is required), MSDE estimates that general fund expenditures increase by \$93.8 million annually to provide monthly stabilization payments to eligible child care providers. This estimate

includes \$78 million to provide a \$2,500 monthly stabilization payment to an estimated 2,600 eligible providers participating in the CCS Program and another \$15.8 million to provide the \$300 monthly stabilization payment to providers not participating in the CCS Program. This estimate is based on current providers and does not account for licensed providers that may be incentivized to participate in the CCS Program as a result of the bill. Thus, to the extent the overall number of eligible providers increases or decreases, general fund expenditures increase or decrease correspondingly.

In fiscal 2024 only, computer reprogramming costs totaling approximately \$200,000 are incurred in order to ensure that payments can be appropriately made to all eligible providers.

The CCS Program provided financial assistance with child care tuition to slightly over 16,000 eligible children and over 10,000 families per month on average in fiscal 2022. The fiscal 2024 budget as introduced includes \$68.5 million in general funds and \$105.1 million in federal funds.

Small Business Effect: Small business child care providers likely benefit from the bill's changes, as the bill makes additional funding available to any qualified providers, including those that do not currently participate in the CCS Program.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 868 (Delegate McCaskill, *et al.*) - Ways and Means.

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

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km/jkb

Analysis by: Eric F. Pierce

Direct Inquiries to:
(410) 946-5510
(301) 970-5510