

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1455 (Delegate Solomon)
 Ways and Means

Public Prekindergarten and Child Care Providers - Waiver Action Plan and Assistance Hubs

This bill requires the Maryland State Department of Education (MSDE) to, in collaboration with the Accountability and Implementation Board (AIB), establish assistance hubs in centralized and diverse locations throughout the State to support child care providers and coordinate partnerships within the State’s mixed delivery system. The bill also establishes a Child Care Provider Hub Advisory Committee. The advisory committee, staffed by MSDE, must meet at least once each quarter to advise MSDE and other relevant parties on establishing and fulfilling the purposes of the hubs. In addition, a local board of education that requests a waiver from requirements regarding the percentage of slots in a county under the full-day prekindergarten program that must be provided by eligible private providers must develop a specified action plan for meeting target percentages and must submit the plan to MSDE, AIB, the General Assembly, and specified legislative committees. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Beginning in FY 2025, general fund expenditures increase by *at least* \$96,100, which reflects staff to coordinate the hubs across the State and staff the committee. Additional costs are incurred but not reflected below. *For example, under one set of assumptions,* general fund expenditures increase by as much as an additional \$3.0 million annually, beginning in FY 2025, but actual costs may be significantly less if fewer than 24 hubs are established, as discussed below. Revenues are not affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	96,100	108,400	113,400	118,400	123,600
Net Effect	(\$96,100)	(\$108,400)	(\$113,400)	(\$118,400)	(\$123,600)

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

Local Effect: The bill does not specify a local government role with respect to assistance hubs. Local education agencies (LEAs) may incur additional costs related to participation in the work of the Child Care Provider Hub Advisory Committee and developing an action plan after submitting a waiver, but it is assumed that these costs can, for most LEAs, be absorbed with existing resources. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Child Care Provider Hubs

Hubs must be located in a manner that reflects the geographic diversity of the State. Hubs must provide child care providers with specified assistance.

Advisory Committee

The bill provides for membership on the committee and establishes staggered four-year terms for committee members. A member of the committee may not receive compensation but is entitled to reimbursement for expenses.

Full-day Prekindergarten Waiver Action Plans

A local board that requests a waiver must develop an action plan demonstrating how the county intends to meet the private provider percentage requirements of the full-day prekindergarten program in the year immediately following the expiration of the waiver. The local board must submit the action to MSDE, AIB, the General Assembly, the Senate Budget and Taxation Committee, the Senate Committee on Education, Energy, and the Environment, the House Appropriations Committee, and the House Ways and Means Committee.

Current Law:

Child Care

Chapter 36 of 2021 established several early childhood accreditation programs in statute that had previously existed in MSDE regulations, including the Child Care Accreditation Support Fund, which pays for provider accreditation application fees and reimburses providers for a program improvement cost; the Child Care Incentive Grant Program, which

is intended to improve a child care provider's quality of care through the purchase of approved materials, equipment, or supplies; the Maryland Child Care Credential Program, which provides an achievement bonus, training reimbursement, or a training voucher for individuals attaining an approved credential; and the Child Care Career and Professional Development Fund, which assists qualified individuals with the costs of tuition and fees as well as textbooks used for the expense of college coursework toward completion of specified academic progress in early childhood education. Funding for these programs is mandated to increase as specified. Child Care Quality Incentive Grants help qualified child care providers purchase supplies, materials, and equipment. The Office of Child Care in MSDE must designate a primary contact employee for early child care to assist child care providers obtain funding and accreditation and with other related processes.

Publicly Funded Full-day Prekindergarten

Chapter 36 established a new funding formula providing for voluntary full-day prekindergarten for four-year-olds and three-year-olds from low-income families (Tier I). Chapter 119 of 2023 added homeless youths to Tier I. "Low-income" is defined as at or below 300% of the federal poverty level (FPL). MSDE must develop a sliding scale to calculate the family share for families with income above 300% of FPL. Beginning in the 2024-2025 school year (fiscal 2025), four-year-olds from families whose income is between 300% and 600% of FPL (Tier II) may be offered full-day prekindergarten if space is available to encourage socioeconomic diversity in prekindergarten classrooms. Priority in expanding full-day prekindergarten slots is given to three- and four-year-olds who are (1) Tier I children; (2) children with disabilities, regardless of income; or (3) children from homes where English is not the primary spoken language. For four-year-olds from families with income above 600% (Tier III), the family share covers the full cost of full-day prekindergarten. However, a local board may provide up to 100% of the family share on behalf of the family. A Head Start provider that receives federal funds is not prohibited from receiving full-day prekindergarten funding.

Under the full-day prekindergarten program, all eligible prekindergarten providers must include structural elements that are evidence-based and nationally recognized as important for ensuring program quality. The proportion of eligible prekindergarten slots in each county that must be provided by private providers increases from a minimum of 30% private provider slots in the 2022-2023 school year, by 5 percentage points annually until reaching 50% by the 2026-2027 school year. MSDE must issue a waiver from these requirements to a local board if (1) all families in the county who desire to enroll their eligible children with eligible prekindergarten providers are able to do so or (2) after reasonable cross-jurisdictional or regional efforts, there are too few eligible private providers to meet the minimum requirements.

State Expenditures: *Under one set of assumptions*, described below, general fund expenditures increase by \$3.1 million each year from fiscal 2025 through 2029. Regardless, a portion of that funding, approximately \$100,000 is required for staffing.

Direct Expenditures for Assistance Hubs

In addition to staffing requirements detailed below, MSDE advises that \$3.0 million annually will be required to establish and manage 24 child care provider assistance hubs throughout the State, which is comparable to the expenses associated with managing the Maryland Child Care Resource Network grant program. However, though the bill requires hubs to be established in centralized and diverse locations throughout the State to support child care providers, it is not certain that establishment of as many as 24 hubs will be required under the bill. Given that the requirements of the bill can potentially be met with far fewer than 24 hubs, the increase in State expenditures under the bill may be far less than \$3.0 million annually; therefore, a reliable estimate of the cost to manage the hubs cannot be determined at this time.

Maryland State Department of Education Staffing Expenditures

The bill requires MSDE to establish child care provider assistance hubs throughout the State and to staff the Child Care Provider Hub Advisory Committee. MSDE cannot absorb this responsibility with existing staff. Therefore, general fund expenditures for MSDE staffing increase by \$96,076 in fiscal 2025, which accounts for a 90-day start-up delay from the bill’s July 1, 2024 effective date. The estimate reflects the cost to MSDE of hiring one education program specialist to manage the work of the hubs and provide oversight over any funding for the hubs themselves, and another half-time position to staff the Child Care Provider Hub Advisory Committee. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1.5
Salaries and Fringe Benefits	\$81,968
Operating Expenses	<u>14,108</u>
Total FY 2025 MSDE Staff Expenditures	\$96,076

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Small Business Impact: Some private child care providers are small businesses; thus, to the extent the hubs provide assistance, private child care providers may be affected. The extent of the impact depends on the level of assistance provided by the hubs.

Additional Comments: It should be noted that developing an action plan cannot compel private providers to participate in publicly funded prekindergarten. For example, St. Mary's County Public Schools (SMCPS) advises that despite repeated and continued work with private providers, SMCPS does not have the required number of eligible partners.

Additional Information

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

Designated Cross File: None.

Information Source(s): Baltimore City Public Schools; Anne Arundel County Public Schools; Baltimore County Public Schools; Prince George's County Public Schools; St. Mary's County Public Schools; Accountability and Implementation Board; Maryland State Department of Education; Department of Legislative Services

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