



FEBRUARY 29, 2024

Full Funding for Child Care Scholarship, Community Colleges Is Vital Our Economy

Position Statement Supporting Senate Bill 362 With Amendment

Given Before the Senate Budget and Taxation Committee

Maryland's investments in affordable access to child care and community colleges represent critical foundations for the state's economic success. Supporting working parents in returning to the workforce and training Marylanders for in-demand jobs are critical for families and businesses alike, as Maryland's record low unemployment rate leaves many businesses struggling to fill open positions. **For these reasons, the Maryland Center on Economic Policy respectfully requests the committee to amend SB 362 to remove changes to the Child Care Scholarship program and the Cade Formula that determines community college funding.**

Families Can't Afford to Wait for Child Care

Child care is critically important for Maryland's families. It enables parents to pursue their careers knowing that their children are in good hands. Yet high costs put child care out of reach for many Marylanders – and this barrier is more prevalent for some than others. Maryland has made significant progress in recent years in expanding access to its child care scholarship program, which is a critical first step in addressing affordability.

As of fall 2020, center-based child care for one child 2-5 years of age cost more than \$13,000 per year on average, more than in-state tuition at any University System of Maryland institution. It was all the more costly for parents of infants and 1-year-olds at nearly \$18,000 per child.ⁱ High-quality child care is most out of reach for parents in low-wage jobs. In Maryland, one in seven employed mothers of young children worked in a low-wage occupations.ⁱⁱ Structural barriers like pay discrimination put child care even further out of reach for Black, Latinx, and Indigenous parents.ⁱⁱⁱ The Child Care Scholarship (CCS) Program provides financial assistance for child care costs to eligible working families.

The CCS enables parents to enter and remain in the workforce by subsidizing the high cost of child care. It gives parents and children access to licensed early education programs. This means that parents are able to work in order to provide for the families while at the same ensuring that their children are receiving the care and learning they need at a critical time in childhood development.

Widespread access to high quality child care is also essential for Maryland businesses and the health of our economy. The Office of the Comptroller's 2024 "State of the Economy" report found that rising child care costs are one of the most significant factors preventing women from rejoining the traditional labor force and that Maryland

has seen a greater decline in the number of women working or actively seeking work than the national average^{iv}. Maryland's lower labor force participation rate is making it more challenging for businesses to hire the workers they need.

Prior to 2018, Maryland had one of the worst child care subsidy programs in the country. That year saw the beginning of several major improvements in Maryland's CCS program, including legislation mandating that scholarship rates rise from 9th percentile of the market to at least the 60th percentile, and a regulatory expansion of family income eligibility from approximately \$35,000 to \$72,000 for a family of four. In July 2022, the state made further improvements to the CCS. Scholarship rates were increased to the 70th percentile of the market, income eligibility was expanded to just over \$90,000 for a family of four, and parental copayments were eliminated for many families and drastically reduced for all others.

These improvements have made an important difference for Maryland families and our economy:^v

- The child care scholarship program now serves more than 30,000 children, more than double the number receiving assistance during FY 2018.
- Based on states' historical experiences following child care expansions, improved access to care may have enabled up to 11,900 women to gain employment, with resulting earnings of up to \$381 million
- By enabling more women to enter the workforce, these child care expansions may have lifted as many as 8,800 Marylanders out of poverty.
- Between the earnings boost from increased employment and families' cost savings from getting help with child care, these expansions may have increased household spending by up to \$127 million and generated up to \$27 million in state and local tax revenue.

Legislation passed in 2023 was aimed at protecting these improvements by ensuring the Maryland State Department of Education cannot unilaterally reinstate co-pays or wait lists without first notifying the General Assembly. Maryland has a history of imposing enrollment freezes for the CCS program at different times over the past two decades as a means of cutting costs, preventing otherwise eligible parents from receiving assistance they need to work and support their family.

SB 362 would allow the Administration to unilaterally institute waitlists for the CCS Program, eliminating the requirement that MSDE inform the General Assembly before any such cost-cutting measures are taken. Limiting access to this critical safety-net program would harm economic security for families and could upend child care arrangements for families. **We urge the Committee urges the committee to strike Page 8, Line 25 through Page 9, Line 23 to protect access to the Child Care Scholarship program.**

Community Colleges Are Essential for Marylanders and Our Economy

Just over 100,000 students were enrolled in Maryland community colleges in fall 2023,^{vi} working toward a diverse range of goals from basic education, to certification for in-demand occupations, to preparation for a four-year institution. As of 2021, community colleges served half of all in-state undergraduate students.^{vii} The legislature updated the Cade funding formula used for calculating community college funding starting in FY 2023, resulting in a more accurate calculation of community college funding needs to make it commensurate with other investments in higher education. **The formula changes proposed in SB 362 would represent a step backwards for these essential institutions, cutting more than \$130 million in funds over the next five years.**

Community colleges are an essential source of college access for students who face an array of barriers built through a combination of discriminatory policy and inaction:^{viii}

- 61% of credit students at Maryland community colleges were students of color in fall 2021; 30% of students were Black and 12% were Latinx.
- 5% of students reported a disability.
- 62% of students were women.
- 20% of students were at least 30 years old.

Community colleges also bring essential benefits to Maryland’s economy by training our workforce for the growing number of jobs that require some college education but not a four-year degree. Students enrolled in Maryland community colleges in the 2015–2016 school year were expected to earn an additional \$6.4 billion over their lifetimes because of this education, according to one analysis.^{ix}

Community colleges in Maryland have dealt with significant challenges over the last several years as the COVID-19 pandemic required institutions to strengthen and expand remote learning and adapt to fast-changing labor market conditions.

We urge the Committee reject to changes to the Cade funding formular for community colleges proposed in SB 362.

Note: MDCEP is not taking a position for or against other proposed changes in SB 362.

Equity Impact Analysis: SB 362 – Budget Reconciliation and Financing Act of 2024

Bill summary

SB 362 proposes removing language that would prohibit the Maryland State Department of Education from unilaterally implementing wait lists for the Child Care Scholarship Program. It also makes permanent changes to the Cade formula for community college funding that would reduce state funding for community colleges in FY 2025 and future years.

Background

As of 2018, Maryland had one of the worst child care subsidy programs in the country. That changed in 2018 with the beginning of several major improvements in Maryland’s CCS, including legislation mandating that eligibility expand and scholarship rates increase to include more families. Legislation passed in 2023 was aimed at protecting recent improvements by ensuring the Maryland State Department of Education cannot unilaterally reinstate co-pays or wait lists without first notifying the General Assembly.

Just over 100,000 students were enrolled in Maryland community colleges in fall 2023,^x working toward a diverse range of goals from basic education, to certification for in-demand occupations, to preparation for a four-year institution. As of 2021, community colleges served half of all in-state undergraduate students.^{xi} The legislature updated the Cade funding formula used for calculating community college funding starting in FY 2023, resulting in a more accurate calculation of community college funding needs to make it commensurate with other investments

in higher education. The formula changes proposed in SB 362 would reduce community college funding by more than \$130 million over the next five years.

Equity Implications

While the high cost of child care is a burden even for relatively well-off families, the burden is greatest for parents in low-wage paying jobs:

- In Maryland, one in seven employed mothers of very young children worked in a low-wage occupation.
- Because of pay discrimination and other structural barriers, Black, Latinx, and American Indian parents are more likely to take home low wages that put child care out of reach.

Insufficient access to child care places an especially high burden on women, who in most families still carry a greater share of child care responsibilities than men:

- 57% of working mothers with children under 12 reported difficulty handling child care as of October 2020, compared to 47% of fathers.
- Working mothers are also more likely than working fathers (including remote and in-person workers) to report cutting their work hours, having their dedication to work questioned, or even missing out on a promotion because of child care responsibilities.

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Impact

Amending SB 362 as outlined above to protect investments in community colleges and child care would likely **improve racial, gender, and economic equity** in Maryland.

ⁱ “Maryland Family Network Public Policy Handbook 2021–2022,” Maryland Family Network, 2021, <https://www.marylandfamilynetwork.org/sites/default/files/2021-09/Public%20Policy%20Handbook%202021-22%20rev.pdf> with calculations by MDCEP; University System of Maryland FY 2021 tuition data from Maryland FY 2022 budget books. Tuition data for University of Maryland–Baltimore are not reported.

ⁱⁱ “NWLC Resource: Mothers of Very Young Children in Low-Wage Occupations,” National Women’s Law Center, 2017, <https://nwlc.org/resources/interactive-map-mothers-very-young-children-low-wage-occupations/>

ⁱⁱⁱ Christopher Meyer, “Budgeting for Opportunity: Maryland’s Workforce Development Policy Can Be a Tool to Remove Barriers and Expand Opportunity,” Maryland Center on Economic Policy, 2021, <http://www.mdeconomy.org/budgeting-for-opportunity-workforce/>

^{iv} “State of the Economy,” Office of the Comptroller, 2023 <https://www.marylandtaxes.gov/reports/static-files/SOTE.pdf>

^v Forthcoming MDCEP analysis.

^{vi} FY 2025 Aid to Community Colleges operating budget analysis, Department of Legislative Services, <https://mgaleg.maryland.gov/pubs/budgetfiscal/2025fy-budget-docs-operating-R6210005-Aid-to-Community-Colleges.pdf>

^{vii} Maryland Association of Community Colleges 2022 databook, <https://mdacc.org/databooks/>

^{viii} Maryland Association of Community Colleges 2022 databook, <https://mdacc.org/databooks/>

^{ix} “Analysis of the Economic Impact and Return on Investment of Education: The Economic Value of the Maryland Association of Community Colleges,” Emsi, 2016, https://mdacc.org/wp-content/uploads/MACC_ExecSum_1516_Final.pdf

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- X FY 2025 Aid to Community Colleges operating budget analysis, Department of Legislative Services, <https://mgaleg.maryland.gov/pubs/budgetfiscal/2025fy-budget-docs-operating-R6210005-Aid-to-Community-Colleges.pdf>
- XI Maryland Association of Community Colleges 2022 databook, <https://mdacc.org/databooks/>
- XII Maryland Association of Community Colleges 2022 databook, <https://mdacc.org/databooks/>