

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 608 (Delegate Solomon)
 Ways and Means and Appropriations

Early Childhood Education - Child Care Provider Support Grant Program (The Child Care Provider Support Act)

This bill establishes the Child Care Provider Support Grant Program to provide funds to eligible grantees to help support the operation of child care centers. The Department of Commerce (Commerce), in consultation with the Maryland State Department of Education (MSDE), must implement and administer the grant program. Beginning in fiscal 2023, the Governor must include \$25.0 million annually in the State budget for the program. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund expenditures increase by \$158,000 in FY 2022; future years reflect annualization of ongoing administrative costs and the bill’s mandated appropriation. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2023.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.2	25.2	25.2	25.2	25.2
Net Effect	(\$0.2)	(\$25.2)	(\$25.2)	(\$25.2)	(\$25.2)

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

Local Effect: None.

Small Business Effect: Potential meaningful for eligible child care centers that are awarded grants.

Analysis

Bill Summary: An eligible grantee is a child care center that:

- was in operation before March 2020;
- is open and operational on or after September 30, 2020;
- has a certificate of good standing in the State;
- is enrolled in the Maryland EXCELS program;
- accepts State scholarship vouchers;
- can demonstrate financial stress or a disruption in operation, including the loss of at least 20% of enrollment for a period of at least two months from March 1, 2020, through June 30, 2021;
- is *not* currently serving enrolled children but can confirm its intention to enroll children no more than 30 days after the date on which a grant is received; and
- provides a detailed description of how it anticipates spending the grant and how many children it anticipates enrolling after the grant is received.

Commerce, in consultation with MSDE and child care industry leaders or advisory groups, must adopt regulations to implement the bill, including regulations to develop requirements for grant applications and a process for reviewing and awarding grants.

The Secretary of Commerce may adjust the amount of each grant depending on the number of eligible grantees and may not award a grant to an eligible grantee in an amount that is more than the eligible grantee's total operating expenses over a period of two months. The Secretary must prioritize grant awards to eligible grantees located in high poverty zip codes in the State or zip codes with a significant number of licensed child care centers that have closed permanently.

Grant awards may be used by eligible grantees only for payroll expenses, rent or mortgage payments, utility expenses, and other similar expenses necessary for the operation of the child care center.

Current Law: "Child care center" means an agency, institution, or establishment that, for part or all of a day, or on a 24-hour basis on a regular schedule, and at least twice a week, offers or provides child care to children who do not have the same parentage except as otherwise provided for in law or regulation. The State Board of Education must adopt regulations relating to the licensing and operation of child care centers.

The Child Care Scholarship Program (referred to as the Child Care Subsidy Program in statute) provides financial assistance with child care costs to eligible low-income families pursuant to requirements established in regulation.

State Expenditures: General fund expenditures increase by \$25.0 million annually beginning in fiscal 2023 to reflect the mandated appropriation. For purposes of this analysis, it is assumed that expenditures are incurred in fiscal 2022 for administrative costs associated with the development of the grant program.

Accordingly, general fund expenditures for Commerce increase by \$158,490 in fiscal 2022, which accounts for a three-month start-up delay from the bill’s July 1, 2021 effective date. This estimate reflects the cost of hiring two staff (one administrator/one accounting specialist) to assist with the establishment of procedures for and the administration of the grant program, including consultation with specified entities to adopt related regulations. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	\$147,327
Operating Expenses	<u>11,163</u>
Total FY 2022 State Expenditures	\$158,490

Future year expenditures reflect full salaries with annual increases and employee turnover, ongoing operating expenses, and the annual \$25.0 million mandated appropriation beginning in fiscal 2023.

MSDE can use existing resources to consult with Commerce.

Small Business Effect: Child care centers meeting specified criteria are eligible for significant grant funding beginning in fiscal 2023.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 4, 2021
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