

HOUSE BILL 1321

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By: ~~Delegate Palakovich Carr~~ Delegates Palakovich Carr, McCaskill, Mireku-North, Addison, Ebersole, Feldmark, Pasteur, Patterson, Roberson, Vogel, Wilkins, Wims, and Young

Introduced and read first time: February 12, 2026

Assigned to: Ways and Means and Appropriations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 26, 2026

CHAPTER _____

1 AN ACT concerning

2 **Child Care Scholarship Program – ~~Enrollment~~ Application Process and Copays**
3 **– Alterations**

4 FOR the purpose of ~~prohibiting an enrollment freeze in the Child Care Scholarship~~
5 ~~Program from applying to certain individuals; requiring the State Department of~~
6 ~~Education to establish a waitlist for the Program under certain conditions; requiring~~
7 ~~the Department to give priority for enrollment in the Program to certain individuals~~
8 ~~on the waitlist; requiring the Department to identify, inform, and assist~~ requiring
9 the State Department of Education to identify, inform, and assist Child Care
10 Scholarship Program applicants who qualify for enrollment in publicly funded
11 prekindergarten, Head Start, and Early Head Start subject to certain conditions;
12 repealing a process for presumptive eligibility in the Program; limiting copays for
13 certain individuals under the Program subject to certain conditions; requiring copays
14 for certain individuals under the Program subject to certain conditions; and
15 generally relating to the Child Care Scholarship Program.

16 BY repealing and reenacting, with amendments,
17 Article – Education
18 Section 9.5–111 and 9.5–113
19 Annotated Code of Maryland
20 (2022 Replacement Volume and 2025 Supplement)

21 ~~BY repealing and reenacting, with amendments,~~

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



~~1 Article – Education~~
~~2 Section 9.5–111(d)(4)~~
~~3 Annotated Code of Maryland~~
~~4 (2022 Replacement Volume and 2025 Supplement)~~
~~5 (As enacted by Section 1 of this Act)~~

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
7 That the Laws of Maryland read as follows:

8 **Article – Education**

9 9.5–111.

10 (a) (1) In this section the following words have the meanings indicated.

11 (2) “Analysis” means the market rate survey or an alternative method
12 allowable under federal law.

13 (3) “Program” means the Child Care Scholarship Program.

14 (b) (1) Beginning in 2017, and every 2 years thereafter, the Department shall
15 conduct an analysis in order to formulate appropriate reimbursement rates for the
16 Program.

17 (2) The Department, before conducting the analysis, shall consult with:

18 (i) The Office of Child Care Advisory Council;

19 (ii) Child care resource and referral agencies;

20 (iii) Child care worker organizations; and

21 (iv) Any other appropriate entities.

22 (c) On or before September 1, 2017, and by September 1 every 2 years thereafter,
23 the Department shall report to the Joint Committee on Children, Youth, and Families, the
24 Senate Budget and Taxation Committee, and the House Appropriations Committee, in
25 accordance with § 2–1257 of the State Government Article, on:

26 (1) The methodology of the analysis required under subsection (b) of this
27 section;

28 (2) Cost estimates for raising the Program’s reimbursement rates to the
29 45th, 55th, 65th, and 75th percentile of child care providers in each of the State’s market
30 regions;

1 (3) The minimum base payment rate that is required for child care
2 providers to meet health, safety, quality, and staffing requirements in accordance with
3 federal law and the factors used to determine that rate;

4 (4) The rate adjustment that the Department will implement based on the
5 analysis;

6 (5) Any adjustments to Program eligibility or family copay amount that
7 will be implemented; and

8 (6) Any potential impacts on families and providers due to any adjustments
9 made to the Program.

10 (d) (1) The Governor shall include in the annual State budget an appropriation
11 from all fund sources for the Program that is not less than the total appropriation for the
12 Program in fiscal year 2018 or fiscal year 2019, whichever is greater.

13 (2) Except as provided in paragraph (3) of this subsection, the Department
14 may not make the following alterations to the Program in effect as of January 1, 2023:

15 (i) Reduce the reimbursement rates;

16 (ii) Reduce the income eligibility requirements; or

17 (iii) **[Implement] SUBJECT TO SUBSECTION (E) OF THIS SECTION,**
18 **IMPLEMENT** a freeze in Program enrollment.

19 (3) (i) The Department may alter the Program in effect as of January
20 1, 2023, by reducing the reimbursement rates, reducing the income eligibility
21 requirements, or implementing a freeze in Program enrollment, if:

22 1. The Department submits a notification to the Senate
23 Budget and Taxation Committee, the Senate Committee on Education, Energy, and the
24 Environment, the House Appropriations Committee, and the House Ways and Means
25 Committee, in accordance with § 2–1257 of the State Government Article, on the intended
26 Program alterations, including the reason for, and expected duration of, the proposed
27 actions; and

28 2. The Program alterations identified in the notification are
29 not implemented until the completion of the regular legislative session immediately
30 following the submission of the notification.

31 (ii) If the Board of Public Works approves budget reductions for the
32 Program under § 7–213 of the State Finance and Procurement Article for a certain fiscal
33 year, the Department may reduce the reimbursement rates, reduce the income eligibility
34 requirements, or implement a freeze in Program enrollment at any time during the fiscal
35 year.

1 (4) [The] EXCEPT AS PROVIDED IN § 9.5-113(D) OF THIS SUBTITLE,
2 THE Department may not increase the copayment levels of the Program in effect as of
3 January 1, 2024.

4 (E) (1) ~~(I) A FREEZE IN PROGRAM ENROLLMENT MAY NOT APPLY TO:~~

5 1. ~~A FAMILY OR AN INDIVIDUAL WHO IS ENROLLED IN~~
6 ~~THE TEMPORARY CASH ASSISTANCE PROGRAM UNDER § 5-312 OF THE HUMAN~~
7 ~~SERVICES ARTICLE;~~

8 2. ~~A FAMILY OR AN INDIVIDUAL WHO IS ENROLLED IN~~
9 ~~THE FEDERAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM;~~

10 3. ~~A CHILD WHO IS ENROLLED IN THE FEDERAL SOCIAL~~
11 ~~SECURITY INCOME PROGRAM; AND~~

12 4. ~~A CHILD WHO IS HOMELESS.~~

13 ~~(H) AN INDIVIDUAL DESCRIBED UNDER SUBPARAGRAPH (I) OF~~
14 ~~THIS PARAGRAPH SHALL OTHERWISE MEET THE CRITERIA FOR ENROLLMENT IN~~
15 ~~THE PROGRAM.~~

16 ~~(2) (I) IF THE DEPARTMENT ESTABLISHES A FREEZE IN PROGRAM~~
17 ~~ENROLLMENT, THE DEPARTMENT SHALL ESTABLISH A WAITLIST FOR ELIGIBLE~~
18 ~~INDIVIDUALS WHO APPLY TO THE PROGRAM AFTER THE FREEZE IS IN EFFECT.~~

19 ~~(H) THE WAITLIST SHALL REMAIN IN EFFECT AS LONG AS~~
20 ~~THERE ARE FEWER AVAILABLE AWARDS UNDER THE PROGRAM THAN ELIGIBLE~~
21 ~~APPLICANTS FOR THE PROGRAM.~~

22 ~~(III) THE WAITLIST SHALL GIVE PRIORITY FOR ENROLLMENT IN~~
23 ~~THE PROGRAM TO QUALIFIED APPLICANTS WHO:~~

24 1. ~~HAVE THE GREATEST FINANCIAL NEED, BASED ON~~
25 ~~HOUSEHOLD INCOME; AND~~

26 2. ~~APPLY TO ENROLL A CHILD UNDER THE AGE OF 3~~
27 ~~YEARS.~~

28 ~~(3) (I) IF THE DEPARTMENT ESTABLISHES A FREEZE IN PROGRAM~~
29 ~~ENROLLMENT, THE DEPARTMENT SHALL IDENTIFY APPLICANTS TO THE PROGRAM~~
30 ~~WHOSE CHILDREN QUALIFY FOR THE:~~

1 **(I) THE PUBLICLY FUNDED PREKINDERGARTEN PROGRAM**
 2 **UNDER TITLE 7, SUBTITLE 1A OF THIS ARTICLE; OR**

3 **(II) A HEAD START OR EARLY HEAD START PROGRAM.**

4 ~~(H)~~ **(2) THE DEPARTMENT SHALL INFORM AN APPLICANT**
 5 **IDENTIFIED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH (1) OF THIS**
 6 **SUBSECTION ABOUT THE PUBLICLY FUNDED PREKINDERGARTEN PROGRAM, HEAD**
 7 **START PROGRAM, OR EARLY HEAD START PROGRAM, INCLUDING BY PROVIDING**
 8 **INFORMATION ON:**

9 ~~1.~~ **(I) AVAILABLE PREKINDERGARTEN SLOTS, HEAD**
 10 **START, OR EARLY HEAD START PROGRAMS IN THE COUNTY IN WHICH THE**
 11 **APPLICANT RESIDES;**

12 ~~2.~~ **(II) CONTACT INFORMATION FOR PRIVATE AND PUBLIC**
 13 **PREKINDERGARTEN HOW TO CONTACT PROVIDERS WHO MAY HAVE AVAILABLE**
 14 **PREKINDERGARTEN PROGRAM SLOTS; AND**

15 ~~3.~~ **(III) HOW TO APPLY FOR PUBLICLY FUNDED**
 16 **PREKINDERGARTEN THE PROGRAMS.**

17 ~~(H)~~ **(3) ON REQUEST, THE DEPARTMENT SHALL ASSIST**
 18 **PROVIDE ELIGIBLE FAMILIES IDENTIFIED UNDER SUBPARAGRAPH (I) OF THIS**
 19 **PARAGRAPH (1) OF THIS SUBSECTION WITH INFORMATION ON THE PUBLICLY**
 20 **FUNDED PREKINDERGARTEN ENROLLMENT PROCESS PROCESSES.**

21 ~~(IV)~~ **(4) THE PROCESS FOR IDENTIFYING AND ASSISTING**
 22 **ELIGIBLE PROGRAM APPLICANTS WHOSE CHILDREN QUALIFY FOR THE PUBLICLY**
 23 **FUNDED PREKINDERGARTEN A PROGRAM SHALL CONTINUE AS LONG AS THE**
 24 **WAITLIST IS IN EFFECT.**

25 **[(e)] (F)** The Governor shall, from all fund sources, appropriate funds in the
 26 annual State budget in an amount sufficient to raise the Program's reimbursement rates
 27 for each region to:

28 (1) For fiscal year 2020, not less than the 30th percentile of the most recent
 29 market rate survey or its equivalent if an alternative methodology defined by the
 30 Department is used; and

31 (2) For fiscal year 2021 and each fiscal year thereafter, not less than the
 32 60th percentile of the most recent market rate survey or its equivalent if an alternative
 33 methodology defined by the Department is used.

~~SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:~~

~~Article—Education~~

9.5–113.

(a) In this section, “Program” means the Child Care Scholarship Program.

(b) The Department shall administer the Program in accordance with federal law.

(c) ~~(1)~~ The Department shall:

~~(i) Establish a process that meets the requirements of this subsection for granting presumptive eligibility for a subsidy under the Program~~

(1) PROVIDE TO PROGRAM APPLICANTS INFORMATION ON INCOME-BASED GOVERNMENT ASSISTANCE PROGRAMS AND TAX CREDITS FOR WHICH THE APPLICANTS MAY BE ELIGIBLE; and

~~(ii) (2) Incorporate the framework of the Youth Transitioning From Foster Placement to Successful Adulthood Program as established under § 9.5–113.2 of this subtitle.~~

~~(2) An individual shall attest that the individual meets the eligibility requirements for a subsidy under the Program by completing and electronically submitting a form provided by the Department, including a statement of the individual’s estimated annual household income.~~

~~(3) The Department shall provide a subsidy under the Program to an individual who submits a form under paragraph (2) of this subsection for a period:~~

~~(i) Beginning on the day on which the individual submits the form;~~
and

~~(ii) Ending:~~

~~1. If the individual does not fill out an application within 15 days in accordance with paragraph (4) of this subsection, 60 days after the date on which the individual submits the form under paragraph (2) of this subsection; or~~

~~2. If the Department determines that the individual does not qualify for a subsidy under the Program after reviewing the individual’s application submitted in accordance with paragraph (4) of this subsection, the later of:~~

~~A. 60 days after the date on which the individual submits the form under paragraph (2) of this subsection; or~~

1 (2) THE DEPARTMENT SHALL AWARD A SCHOLARSHIP UNDER THE
2 PROGRAM IN AN AMOUNT SUFFICIENT TO ENSURE THAT AN INDIVIDUAL WHO HAS
3 AN ANNUAL HOUSEHOLD INCOME OF NOT MORE THAN 50% OF THE REGIONAL
4 MEDIAN INCOME WHERE THE INDIVIDUAL RESIDES AT OR BELOW THE FEDERAL
5 POVERTY LINE IS NOT REQUIRED TO PAY A COPAY FOR CHILD CARE.

6 ~~(3) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE~~
7 ~~DEPARTMENT MAY AWARD A SCHOLARSHIP UNDER THE PROGRAM IN AN AMOUNT~~
8 ~~THAT RESULTS IN AN INDIVIDUAL PAYING A COPAY IF THE INDIVIDUAL'S ANNUAL~~
9 ~~INCOME IS MORE THAN 50% OF THE REGIONAL MEDIAN INCOME WHERE THE~~
10 ~~INDIVIDUAL RESIDES.~~

11 ~~(II) THE DEPARTMENT MAY NOT AWARD A SCHOLARSHIP~~
12 ~~UNDER THE PROGRAM IN AN AMOUNT THAT RESULTS IN AN INDIVIDUAL PAYING:~~

13 ~~1. IF THE INDIVIDUAL HAS AN ANNUAL INCOME OF NOT~~
14 ~~MORE THAN 65% OF THE REGIONAL MEDIAN INCOME WHERE THE INDIVIDUAL~~
15 ~~RESIDES, 3% OR MORE OF THE INDIVIDUAL'S ANNUAL INCOME AS A COPAY; OR~~

16 ~~2. IF THE INDIVIDUAL HAS AN ANNUAL INCOME OF MORE~~
17 ~~THAN 65% OF THE REGIONAL MEDIAN INCOME WHERE THE INDIVIDUAL RESIDES,~~
18 ~~7% OR MORE OF THE INDIVIDUAL'S ANNUAL INCOME AS A COPAY.~~

19 (3) THE DEPARTMENT MAY AWARD PARTIAL SCHOLARSHIPS UNDER
20 THE PROGRAM THROUGH A SLIDING FEE SCALE FOR COPAYMENTS THAT:

21 (I) APPLIES TO AN INDIVIDUAL WHO:

22 1. HAS AN ANNUAL HOUSEHOLD INCOME ABOVE THE
23 FEDERAL POVERTY LINE; AND

24 2. IS NOT DESCRIBED UNDER PARAGRAPH (1)(I) OF THIS
25 SUBSECTION;

26 (II) IS BASED ON AN INDIVIDUAL'S ANNUAL HOUSEHOLD
27 INCOME ABOVE THE FEDERAL POVERTY LINE;

28 (III) REQUIRES AN INDIVIDUAL TO PROVIDE AN INCREASED
29 PERCENTAGE OF THE INDIVIDUAL'S ANNUAL HOUSEHOLD INCOME AS A COPAY AS
30 THE INDIVIDUAL'S INCOME INCREASES;

31 (IV) INCREASES COPAY PERCENTAGES GRADUALLY BETWEEN
32 HOUSEHOLD INCOME CATEGORIES, CULMINATING IN A MAXIMUM COPAY NOT

1 EXCEEDING 7% OF AN INDIVIDUAL'S ANNUAL HOUSEHOLD INCOME FOR AN
 2 INDIVIDUAL WITH THE HIGHEST INCOME CATEGORY UNDER THE PROGRAM;

3 (V) INCLUDES A SUFFICIENT NUMBER OF HOUSEHOLD INCOME
 4 CATEGORIES TO MINIMIZE SIGNIFICANT INCREASES IN COPAY AMOUNTS FOR AN
 5 INDIVIDUAL WHO MOVES FROM ONE HOUSEHOLD INCOME CATEGORY TO ANOTHER;
 6 AND

7 (VI) REQUIRES A COPAY FOR EACH CHILD IN A FAMILY
 8 RECEIVING A PARTIAL SCHOLARSHIP, BUT REQUIRES A LOWER COPAY AMOUNT FOR
 9 EACH SUBSEQUENT CHILD.

10 (4) (I) SUBJECT TO SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
 11 DEPARTMENT MAY SET A MINIMUM COPAY AMOUNT FOR A PARTIAL SCHOLARSHIP
 12 AWARD UNDER THE PROGRAM.

13 (II) A MINIMUM COPAY AMOUNT MAY NOT BE MORE THAN \$10
 14 EACH MONTH.

15 (e) An individual is eligible to continue to receive a scholarship under the
 16 Program:

17 (1) For at least 90 days in a year if the individual is unemployed and
 18 seeking employment; and

19 (2) If the individual meets any other eligibility criteria determined by the
 20 Department.

21 (f) The Department may not require an individual to pursue or receive child
 22 support payments or apply for services from a child support agency to be eligible for a
 23 scholarship under the Program.

24 (g) (1) The Department shall notify the Comptroller within 10 days after the
 25 date on which the Department receives an invoice from a child care provider.

26 (2) The Comptroller shall pay a child care provider within 5 days after the
 27 date on which the Comptroller receives a notice under paragraph (1) of this subsection.

28 (h) The Department shall adopt regulations to implement the provisions of this
 29 section.

30 ~~SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read~~
 31 ~~as follows:~~

32 ~~Article — Education~~

1 ~~9.5-111.~~

2 ~~(d) (4) [Except as provided in § 9.5-113(d) of this subtitle, the] THE~~
3 ~~Department may not increase the copayment levels of the Program in effect as of January~~
4 ~~1, 2024.~~

5 ~~SECTION 4. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take~~
6 ~~effect July 1, 2028.~~

7 SECTION 2. AND BE IT FURTHER ENACTED, That, in order to fulfill the
8 requirement to share information about publicly funded prekindergarten slots with
9 applicants to the Child Care Scholarship Program under § 9.5-111(e) of the Education
10 Article, as enacted by Section 1 of this Act, the State Department of Education:

11 (1) may, before the date on which the Department implements the Early
12 Childhood Pre-K Enrollment System for publicly funded prekindergarten, provide
13 information on available publicly funded prekindergarten slots in the county in which the
14 applicant resides as of the most recent enrollment count; and

15 (2) shall, beginning on the date the Department implements the Early
16 Childhood Pre-K Enrollment System for publicly funded prekindergarten, provide
17 up-to-date information on available publicly funded prekindergarten slots in the county in
18 which the applicant resides.

19 SECTION 3. AND BE IT FURTHER ENACTED, That:

20 (a) If the State Department of Education implements a system of copayments for
21 the Child Care Scholarship Program in accordance with § 9.5-113(d) of the Education
22 Article, as enacted by Section 1 of this Act, the Department shall provide ample notice of
23 incoming copayments, notifying current scholarship recipients and the child care providers
24 that accept the scholarships multiple times, beginning with a first notice at least 90 days
25 before a system of copayments is implemented.

26 (b) (1) On or before December 1, 2027, the State Department of Education
27 shall report to the General Assembly, in accordance with § 2-1257 of the State Government
28 Article, on a system of copayments for the Child Care Scholarship Program adopted in
29 accordance with § 9.5-113(d) of the Education Article, as enacted by Section 1 of this Act.

30 (2) The report shall include information on:

31 (i) income bands used to generate copayments;

32 (ii) the number of scholarships in each income band; and

33 (iii) the average copayment in each income band.

34 SECTION 4. AND BE IT FURTHER ENACTED, That:

1 (a) The State Department of Education shall monitor the waitlist for the Child
 2 Care Scholarship Program in effect on July 1, 2026.

3 (b) (1) If the Department determines that there will no longer be any
 4 applicants on the waitlist within 6 months, the Department shall report to the General
 5 Assembly, in accordance with § 2-1257 of the State Government Article, on:

6 (i) the possibility of the waitlist ending; and

7 (ii) whether the Child Care Scholarship Program should include a
 8 process that allows applicants to the program to enroll through presumptive eligibility.

9 (2) In issuing its report, the Department shall review the presumptive
 10 eligibility process in place before July 1, 2026, and consider possible changes to make the
 11 program more effective.

12 SECTION 5. AND BE IT FURTHER ENACTED, That, ~~except as provided in Section~~
 13 ~~4 of this Act, this Act shall take effect July 1, 2026. Section 2 of this Act shall remain~~
 14 ~~effective for a period of 2 years and, at the end of June 30, 2028, Section 2 of this Act, with~~
 15 ~~no further action required by the General Assembly, shall be abrogated and of no further~~
 16 ~~force and effect, contingent on the taking effect of Chapter _____ (H.B. 849) of the Acts of the~~
 17 ~~General Assembly of 2026, and if Chapter _____ (H.B. 849) does not take effect, this Act,~~
 18 ~~with no further action required by the General Assembly, shall be null and void.~~

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.