



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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HOUSE BILL 868 Child Care Provider Stabilization Program – Established (McCasskill)

STATEMENT OF INFORMATION

DATE: March 1, 2023

COMMITTEE: House Ways and Means

SUMMARY OF BILL: HB 868/SB 873 establishes a new entitlement in FY 2025 for Child Care Provider Stabilization grants administered by the Maryland State Department of Education (MSDE). The program would provide stability funding to private child care providers for a range of expenses. MSDE must establish an application process for child care providers and would award stability funding monthly. Monthly awards would be \$2,500 for a provider serving Child Care Scholarship (CCS) clients. All other providers would receive monthly awards of \$300. These funds are not to supplant funds otherwise available for the CCS program.

EXPLANATION: The proposed legislation would significantly increase State funding for child care providers. DBM lacks a specific count of licensed child care providers and those that meet the CCS specifications and therefore cannot provide a specific cost estimate. However, for every 1,000 providers who meet the CCS qualifications, the State would have to pay \$30 million per year. For every 1,000 providers that do not meet those qualifications, the State would have to provide \$3.6 million in stability funding each year. The cost of these grants could grow well beyond \$100 million per year, more than doubling State support for child care providers.

The State has recently provided several rounds of stabilization funding to child care providers specifically to assist them with the impacts of the COVID-19 pandemic:

- MSDE used American Rescue Plan Act (ARPA) funds to provide two rounds of child care stabilization grants. The first round provided 5,207 providers grants of \$15,000 plus an additional \$500 per licensed slot for all grantees, for a total cost of almost \$159 million. The second round of grants consisted of \$10,000 grants with additional funds provided for providers that served infants or toddlers or participated in the State's quality rating and improvement program (EXCELS). These grants provided \$128 million to 5,371 providers.
- Chapter 206 of 2022 required MSDE to administer another \$50 million of general funds in stabilization grants in FY 2022 and another \$3.2 million in FY 2023.

State budgeted support for child care providers and the CCS program have grown significantly in recent years, including the following enhancements:

1. In FY 2022, the reimbursement rate paid to CCS providers grew to 70% of the market rate,

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making it financially easier for providers to serve families through the CCS program. As child care provider costs increase to meet operating needs, State provided rates will also grow.

2. The income threshold for eligibility to participate in the CCS program was raised to 75% of the State median income, enabling more families to participate in the program and increasing the customer pool for child care providers. Other recent changes easing family participation in CCS include waived copays for families enrolled in certain federal anti-poverty programs and no more rejected applications for families that have not first sought child support payments. More recently, MSDE began granting presumptive eligibility to CCS applicants.
3. MSDE has begun reimbursing CCS providers on an enrollment basis rather than an attendance basis to improve customer service and cash flow for providers.
4. The FY 2023 budget includes \$16 million for child care staff bonuses.
5. The FY 2024 budget includes \$10 million for the Child Care Capital Revolving Loan Fund, supporting capital expenses for child care providers.
6. Annual funding to award bonuses, reimbursements, or vouchers to providers with approved credentials, budgeted at \$5.7 million in FY 2024.
7. Annual funding for bonuses to providers that participate in EXCELS and demonstrate improvements or maintain a high-quality rating, budgeted at \$5.5 million in FY 2024.
8. \$3.7 million in funding for the Therapeutic Child Care Grant program starting in FY 2024.
9. The budget includes \$1 million in annual funding to pay providers' application fees for an approved accreditor and to reimburse providers for program improvements starting in FY 2023.
10. \$121,000 is in the FY 2024 budget to pay providers for materials, equipment, and supplies that will improve the quality of care.

Overall State funding for the CCS program and child care providers has grown from \$43.5 million in FY 2021 to \$90.8 million in FY 2024. A study by the Center for Law and Social Policy (CLASP) suggests the total cost of the CCS program changes will eventually require \$72 to \$136 million in additional State and federal funds per year. The proposed legislation would not only put significant additional pressure on the General Fund but would also provide funding for costs that providers already receive support for through the CCS program and other recent enhancements.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. In light of current economic uncertainty and the potential for a downturn, the Department urges caution in passing legislation significantly expanding State required expenditures. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

General Fund Structural Budget Outlook, Fiscal 2024 – 2028 (\$ millions)

	Est. 2024	Est. 20235	Est. 2026	Est. 2027	Est. 2028
Structural Balance	\$337	\$232	\$263	\$529	\$1,113
Adjusted for Blueprint				-\$963	-\$1,207

Department of Legislative Services, January 2023 Fiscal Briefing

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