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THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

House Bill (HB) 862 Child Care Affordability Commission – Establishment House Ways and Means Committee

Chair Atterbeary, Vice Chair Wilkins, and Colleagues,

Thank you for the opportunity to present today on HB 862, the Child Care Affordability Commission Bill. This bill will establish a Child Care Affordability Commission to study and make recommendations regarding childcare affordability in the State including:

An identification of:

1. Obstacles to obtaining a fiscally sustainable system of childcare and early childhood education that meets the needs of children living in poverty and children at-risk of living in poverty;
2. Barriers to increasing the supply of childcare while offering additional supports and incentives to achieve and maintain quality;
3. Measures to ensure the success and sustainability of the Child Care Scholarship Program for working families and any additional measures to support working families, including business tax credits and other incentives for investments in childcare; and
4. Revenue streams to create an adequate and sustainable source of funding for childcare in the State.

A determination of:

1. The economic threshold the State should use to cap the cost of childcare for families in the state.

An examination of:

1. Any other relevant issues concerning access to (or the quality or affordability of childcare), as determined by the Commission.

We know access to childcare supports Maryland's economy and quality early experiences set children up for school success. We also know childcare can cost more than college tuition and childcare providers earn less than half of the average wage across all occupations.

This body and the Moore-Miller Administration have made a commitment to childcare by making continuous improvements to -- and increased investments in, the Child Care Scholarship Program (CCS). Even with the historic investments of general funds, we still have constituents who struggle to find and afford childcare. Further, the Governor's budget proposal includes a cap on enrollment and a pause on new enrollments beginning in May 2025, limiting the number of children served by the Child Care Scholarship Program. According to the Maryland State Department of Education (MSDE), we are currently serving 14% of eligible children.

What if we could take additional steps to ensure quality childcare for all Maryland's children? What if we could ensure the success and sustainability of the Child Care Scholarship Program and support the early childhood workforce? What if we had the resources to grow the supply of high-quality programs and reduce staff turnover? What if we had enough to ensure the availability of affordable quality childcare in all our communities? What if we had enough to continue making investments in the Child Care Scholarship Program and the early childhood workforce year after year? This bill would establish a Commission to make recommendations to get us closer to those goals.

According to the Alliance for Early Success, numerous states have established permanent, dedicated funding streams for early childhood -- funding that exists outside of the recurring appropriations process. Washington state has a capital gains tax dedicated to early childhood. Vermont has a payroll tax dedicated to childcare. New Mexico uses oil and gas revenue to seed their Early Childhood Education and Care Fund. In fact, New Mexico voters made history when they overwhelmingly approved a constitutional amendment that makes theirs the first state to guarantee a right to early childhood education while directing substantial, steady funding to childcare and early education.

Massachusetts established the "Commonwealth Cares for Children" or C3 program, which is funded in part by an income surtax that enables providers to better recruit and retain their staff, increase compensation, and invest in high-quality initiatives. C3 is currently funded at \$475 Million a year. That is in addition to their investment in their equivalent of our Child Care Scholarship Program. In Massachusetts, predictable funds that go directly to providers can be used to build capacity, for operational expenses, to support the workforce, and to make improvements to quality across the childcare system.

What if like Massachusetts, New Mexico, and many other states, we identified a dedicated revenue source for early childhood education? This bill would establish a Commission to develop ways to make our childcare system successful and sustainable. While this bill provides a framework for establishing a Commission, I defer to the Committee on their

recommendations for who specifically should serve on the Commission. I know Moving Montgomery Forward recommends adding a representative from the Governor's Workforce Development Board (GWDB) and the Maryland Development Disabilities Council recommends including a member representing the disability community. Others may have additional recommendations.

I urge a favorable report and thank you for your consideration.

State Examples of Dedicated Funding Streams

<https://earlysuccess.org/resource-centers/revenue-and-early-childhood-finance/early-childhood-state-revenue-streams/>

MASS <https://eyeonearlychildhood.org/2024/04/04/the-massachusetts-taxpayers-foundation-highlights-the-value-of-c3-grants/>

MASS <https://mtf9.masstaxpayers.org/sites/default/files/publications/2024-03/MTF%20Chartbook%20-%20Importance%20of%20C3%20Continuation.pdf>