

CENTER FOR THE AMERICAN FAMILY

Hearing March 4, at 1:00pm
Senate Budget and Taxation Committee

**State FY 2027 Budget for the Maryland State Department of Education – Division of
Early Childhood Development
(SB0284)**

Position: Informational Only

Chair Guzzone and members of the Senate Budget and Taxation Committee,

The **Center for the American Family** is a Maryland-based nonprofit, nonpartisan organization dedicated to strengthening families as the foundation for America's social and economic well-being. We provide evidence-based research, tools, and education to advance family-forward policies and programs that enhance economic stability and prosperity. We appreciate the opportunity to provide informational testimony regarding the FY 2027 budget for the Maryland State Department of Education's Division of Early Childhood Development, including the Child Care Scholarship Program.

Child care functions as core economic infrastructure. When families lack access to reliable, quality, affordable child care, the disruptions extend far beyond individual households to **labor supply, income tax revenues, and broader economic productivity.**

Labor Force Participation

Women with young children are more likely to have reduced hours, declined advancement opportunities, and lost wages.¹ In 2024, the mother-father pay gap was about 35%, an estimated **\$400,000 in lost lifetime earnings over a career.**² And that is if they stay in the labor force. In Maryland and across the country, women with young children are less likely stay in the labor force than their male counterparts or women without children.^{3,4} **Nearly half a million American women left the labor force last year**, often citing child care problems as a primary reason.⁵ Even modest reductions in labor force participation among working mothers can have outsized effects on aggregate income and revenue stability for the state.

Child Care Workforce

The Comptroller's *Child Care and the Economy* report shed light on the impact child care has on Maryland's economy. While the COVID-19 pandemic forced many child care centers and family providers to close, many failed to reopen, constricting supply of child care while overall demand rebounded.³ Providers operate on thin margins as it is, facing rising operating costs, workforce shortages, and limited capacity.

Maryland's child care workforce dynamics also have important equity and fiscal implications. The state's early childhood workforce is approximately **40,000 educators and administrators**, the majority of whom are women of color. For a child care worker in Maryland, the **median wage is \$13.10**, about 23% below what constitutes a living wage.⁶ Often, **child care workers cannot afford care for their own children** without support like the Child Care Scholarship. Compensation challenges and unstable funding for child care

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contribute to persistent turnover and staffing shortages. From a budgetary perspective, instability in the child care workforce undermines both service availability and economic security for families and providers.

Predictable, adequate funding for Child Care Scholarships can improve financial stability, reduce closures, and support workforce retention. This improves the efficiency and return on public investment by reducing disruptions and allowing providers to plan for consistent service delivery.

Income Tax Revenues and Broader Economic Productivity

Child care funding should be evaluated not only as a direct expenditure, but as a mechanism that influences multiple parts of the budget and economy. Maryland relies heavily on income tax collections, dependent on sustained workforce participation. Employment disruptions tied to limited child care access and the volatility within the child care sector decrease taxable income and increase reliance on public safety net programs. Low wages and inconsistent hours in the child care sector are associated with higher reliance on public safety net programs, reduced tax contributions, and increased turnover costs for providers.⁷

Approximately **39% of early educator households in Maryland participate in one or more social safety net programs**.^{7,8} Increased availability and affordability of child care, however, support continued labor force participation, help stabilize earnings, and reduce fiscal pressure on other areas of the budget downstream.

As the Committee evaluates appropriations for the FY 2027 budget, it is critical to consider their near-term costs and long-term fiscal consequences. Underinvestment in child care can shift costs elsewhere in the budget through reduced income tax revenues, increased demand for public safety net programs, and broader economic inefficiencies.

The **Center for the American Family** offers this analysis to inform the Committee's budget deliberations and to contextualize the Child Care Scholarship Program within Maryland's broader economic and fiscal framework.

Thank you for the opportunity to provide this information.

Respectfully submitted,
Center for the American Family
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References

- ¹ Correll, S. J., Benard, S., & Paik, I. (2007). Getting a Job: Is There a Motherhood Penalty? *American Journal of Sociology*. <https://doi.org/4493004>
- ² Gailey, Alex. "The motherhood penalty: Motwell-beingonhers earned 35 percent less than fathers in 2024." *Bankrate*. 09 May 2025, .
- ³ Comptroller of Maryland, State of the Economic Series: Child Care and the Economy. December 2024
- ⁴ Bureau of Labor Statistics. *Employment Characteristics of Families – 2024*
- ⁵ The University of Kansas. The Care Board. *Labor Force Participation Tracker: Parents with Children Under 5*
- ⁶ Center for the Study of Child Care Employment - Maryland State Profile
- ⁷ Center for the Study of Child Care Employment - Early Childhood Workforce Index, 2024.
- ⁸ Public safety net programs include: Earned Income Tax Credit (EITC), Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid (Adult), and Medicaid/CHIP (Child).