MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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Fully Funding the Child Care Scholarship is the Best Way to Support Working Families and Our Economy

Informational Testimony on HB 1321

Given before the House Ways & Means Committee

Affordable child care is critically important for Maryland children and families. Child care enables parents to pursue their careers knowing that their children are in good hands. Yet high costs put child care out of reach for many Marylanders – and this barrier is more prevalent for some than others. Maryland has made significant progress in recent years in expanding access to its child care scholarship program, which is a critical first step in addressing affordability.

Maryland continues to have some of the highest child care costs in the nation, with costs exceeding more than $15,000 per year on average, according to one survey – more than in-state tuition at any University System of Maryland institution.[i] High-quality child care is most out of reach for parents in low-wage jobs. In Maryland, one in seven employed mothers of young children worked in a low-wage occupations.[ii] Structural barriers like pay discrimination put child care even further out of reach for Black, Latinx, and Indigenous parents.[iii] The Child Care Scholarship (CCS) Program provides financial assistance for child care costs to eligible working families.

The CCS enables parents to enter and remain in the workforce by subsidizing the high cost of child care. It gives parents and children access to licensed early education programs. This means that parents are able to work in order to provide for the families while at the same ensuring that their children are receiving the care and learning they need at a critical time in childhood development.

Widespread access to high quality child care is also essential for Maryland businesses and the health of our economy. The Office of the Comptroller's 2024 "State of the Economy" report found that rising child care costs are one of the most significant factors preventing women from rejoining the traditional labor force and that Maryland has seen a greater decline in the number of women working or actively seeking work than the national average.[iv] Maryland's lower labor force participation rate continues to make it more challenging for businesses to hire the workers they need.

Prior to 2018, Maryland had one of the worst child care subsidy programs in the country. That year saw the beginning of several major improvements in Maryland's CCS program, including legislation mandating that scholarship rates rise from 9th percentile of the market to at least the 60th percentile, and a regulatory expansion of family income eligibility from approximately $35,000 to $72,000 for a family of four. In July 2022, the state made further improvements to the CCS. Scholarship rates were increased to the 70th percentile of the market – for the first time bringing Maryland into line with federal guidelines – income eligibility was expanded to just over

$90,000 for a family of four, and parental copayments were eliminated for many families and drastically reduced for all others.

These improvements have made an important difference for Maryland families and our economy:[v]

- The child care scholarship program now serves about 40,000 children, more than double the number receiving assistance during FY 2018.
- Based on states' historical experiences following child care expansions, improved access to care may have enabled nearly 12,000 women to gain employment, with resulting earnings of up to $380 million.
- By enabling more women to enter the workforce, these child care expansions may have lifted as many as 8,800 Marylanders out of poverty.
- Between the earnings boost from increased employment and families' cost savings from getting help with child care, these expansions may have increased household spending by $120 million or more and generated up to $27 million in state and local tax revenue.

Maryland has a history of imposing enrollment freezes for the CCS program at different times over the past two decades as a means of cutting costs, preventing otherwise eligible parents from receiving assistance they need to work and support their family. There is currently a waiting list for the program with an estimated 3,800 children who qualify but are not receiving funding, and potentially many other families that have been discouraged from applying due to the enrollment freeze. **MDCEP supports full funding of the Child Care Scholarship program and strongly encourages the General Assembly and the Maryland State Department of Education to work to eliminate the waiting list and serve all eligible students.**

Prioritization Proposed in HB 1321

HB 1321 proposes criteria for prioritizing families that are on the current or future waiting lists for the Child Care Scholarship. **MDCEP cautions against placing anything in statute that would require additional legislative action to rescind limits on the scholarship when the state's fiscal outlook is improved.** At the same time, we recognize that long as there is a waitlist for the CCS program, there must be a system for allocating open spots when demand far exceeds supply. Currently, this prioritization happens based on COMAR regulations and MSDE policy.

There is a good case for requirements that prioritize very low-income families receiving public benefits like Temporary Cash Assistance, families experiencing homelessness, and other populations federally required to receive CCS. However, we caution against creating policy through statute that prioritizes too many other categories of families over each other, creating a complicated web of eligibility that would deter families from applying, and potentially advantage some higher income families above lower income families. We also caution against prioritizations that would disrupt workforce stability. For example, parents can't keep their employment if they have one child in care and one child without, and many eligible families would not be able to afford care if just one child receives a subsidy.

If the committee does add waitlist prioritizations or exemptions to statute, we strongly urge adding sunsetting language to the legislation. Any waiting list or prioritization method is going to cause hardship for some families. Sunsetting language will ensure the CCS enrollment cap and corresponding waitlist has a mechanism for re-evaluation to determine impact.

Co-Pays Proposed in HB 1321

HB 1321 also proposes a schedule of co-pays for some parents receiving the scholarships. We appreciate that this could help increase revenue available for the CCS program, which could in turn allow more families to receive the scholarship. Moreover, we appreciate that the legislation uses a progressive copayment structure that waives or limits copays for families with the lowest incomes. We would urge clarifying language that ensures co-pays do not exceed 7% of a family's household income at the highest end of the eligibility scale, and that these thresholds are per family and not per child.

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i https://unitedwaynca.org/blog/childcare-cost-burden-for-low-income-households-in-the-us/

ii "NWLC Resource: Mothers of Very Young Children in Low-Wage Occupations," National Women's Law Center, 2017, https://nwlc.org/resources/interactive-map-mothers-very-young-children-low-wage-occupations/

iii Christopher Meyer, "Budgeting for Opportunity: Maryland's Workforce Development Policy Can Be a Tool to Remove Barriers and Expand Opportunity," Maryland Center on Economic Policy, 2021, http://www.mdeconomy.org/budgeting-for-opportunity-workforce/

iv "State of the Economy," Office of the Comptroller, 2023 https://www.marylandtaxes.gov/reports/static-files/SOTE.pdf

v Christopher Meyer, "Child Care Expansions Are Making a Difference for Maryland's Economy," Maryland Family Network and Maryland Center on Economic Policy, 2024, https://www.marylandfamilynetwork.org/sites/default/files/2024-03/MDCEP%20ROI%20Report%202.0.pdf