

**R00A99**  
**Early Childhood Development**  
**Maryland State Department of Education**

***Executive Summary***

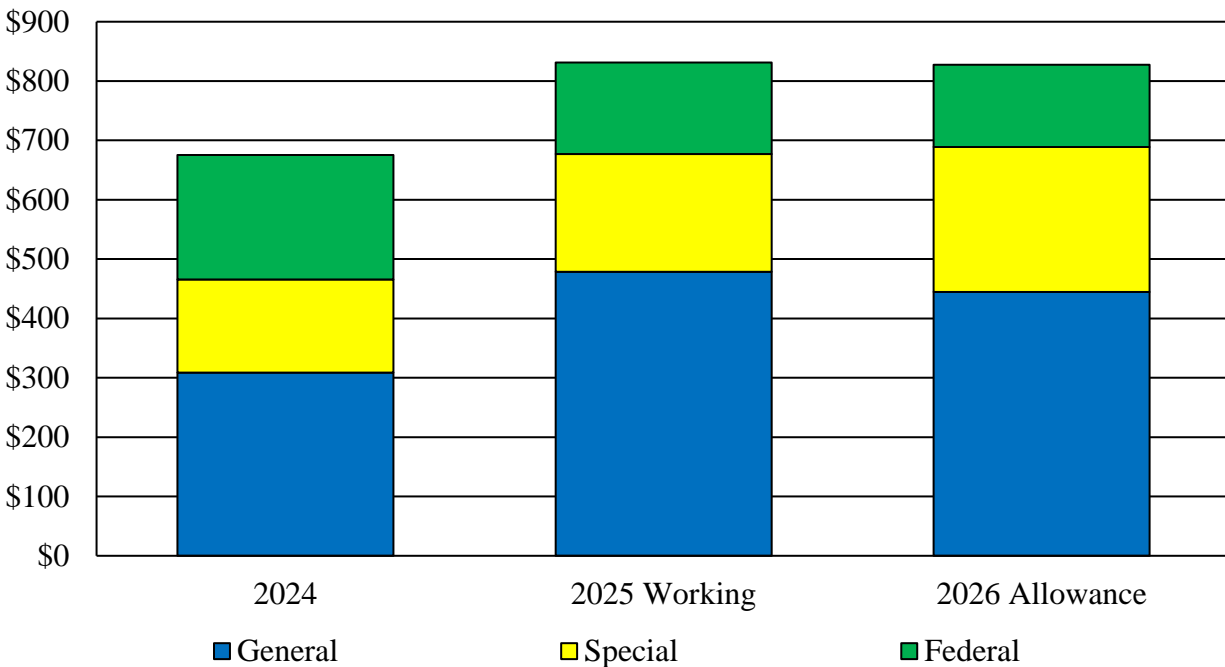
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The Division of Early Childhood (DEC) within the Maryland State Department of Education (MSDE) administers programs related to child care and early childhood education and regulates child care programs through licensing and credentialing. Early childhood programs include, but are not limited to, the Child Care Scholarship (CCS) program, the Maryland State Prekindergarten Grant program, and the Prekindergarten Expansion Grant program.

***Operating Budget Summary***

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**Fiscal 2026 Budget Decreases \$4.0 Million, or 0.5%, to \$827.5 Million**  
**(\$ in Millions)**



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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## *R00A99 – MSDE – Early Childhood Development*

- The \$4.0 million reduction in the fiscal 2026 allowance compared to fiscal 2025 is mainly due to a \$33.7 million decrease in general funds and a \$15.9 million decrease in federal funds. This includes a \$30.9 million reduction in general fund support for the CCS program, following a proposed deficiency for the fiscal 2025 shortfall as well as an \$11.6 million decrease from the end of Federal Birth to 5 grants, a \$4.3 million drop in federal COVID relief, and a \$2.2 million reduction in the Therapeutic Child Care program. These cuts are partly offset by a \$37.8 million increase in prekindergarten formula funding.

## ***Key Observations***

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- ***Fiscal 2026 Allowance Includes Cost Containment Measures under the CCS Program:*** The fiscal 2026 budget includes a proposal allowing MSDE to temporarily cap enrollment in the CCS program to stay within budget and prioritize lower-income families and those in workforce training. MSDE plans to implement an enrollment freeze from May to September 2025, with enrollment projected to decrease from 45,126 children in May 2025, to 40,633 by August 2025 due to a 3.5% monthly attrition rate. The program will then operate within a cap of approximately 40,000 slots, with an estimated cost of \$497 million. MSDE also completed a new market rate survey and plans to adjust provider reimbursement rates based on the sixtieth percentile (current reimbursement rates are set at seventieth percentile of the previous market rate survey), starting in September 2025, to help manage costs and maintain the program within budget.
- ***Early Childhood Programs Funded under Blueprint for Maryland’s Future:*** Fiscal 2026 is the fourth year of implementation for provisions of Chapter 36 of 2021 (as amended by Chapter 55 of 2021), also known as the Blueprint for Maryland’s Future. The fiscal 2026 allowance meets most mandated funding levels for early childhood programs, but the Maryland Child Care Credential Program does not receive funding in fiscal 2026 as required by Chapter 165 of 2024. MSDE acknowledges this omission as an oversight and indicates that funding for the program will be included in a supplemental budget.
- ***Revised Prekindergarten Sliding Scale Methodology:*** Since fiscal 2023, the Maryland State Prekindergarten Grant Program has fully funded prekindergarten for families earning up to 300% of the federal poverty guideline (FPG) (Tier I). A sliding scale for families earning 301% to 600% of FPG (Tier II) was planned for the 2024-2025 school year, but the Budget Reconciliation and Financing Act (BRFA) of 2024 delayed it and phased it in over two years, starting with the 2025-2026 school year. The BRFA also accelerated the per pupil rate phase-in. In fiscal 2026, the per pupil rate will be \$14,473, reaching \$19,950 by fiscal 2027.

**Operating Budget Recommended Actions**

1. Adopt committee narrative requesting quarterly reports on Child Care Scholarship program enrollment, expenditures, and status of waiting list.

**Budget Reconciliation and Financing Act Recommended Actions**

1. Delay the expansion of Tier II full-day prekindergarten eligibility and adjust per pupil funding growth to constrain costs.

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***Operating Budget Analysis***

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**Program Description**

DEC coordinates the State’s child care and early childhood education system through its three branches: the Office of Child Care; the Early Learning Branch; and the Collaboration and Program Improvement Branch.

**The Office of Child Care** licenses and monitors child care centers and family child care programs in Maryland through regional licensing offices, administers the CCS program, manages child care workforce development programs, provides technical assistance to child care providers and parents, and administers Maryland EXCELS (the State’s quality rating and improvement program for child care and early childhood education programs).

**The Early Learning Branch** is responsible for publicly funded prekindergarten and kindergarten policies. It oversees the administration of the Ready for Kindergarten Early Childhood Comprehensive Assessment System, early childhood curriculum guidance, developmental screening for children, professional development, and the Judith P. Hoyer Early Childhood Education Enhancement program.

**The Collaboration and Program Improvement Branch** issues and administers early care grants and contracts, manages the State’s collaboration with the federal Head Start program and works with State and local early childhood advisory councils to support a comprehensive early childhood infrastructure.

DEC has a five-year strategic plan from calendar 2020 to 2025 that outlines the following six goals and strategies for enhancing and expanding the State’s mixed-delivery system for young children and families: (1) strengthening availability and access to services; (2) improving and supporting program quality; (3) deepening family engagement; (4) ensuring successful transition experiences into kindergarten; (5) expanding and enhancing workforce development; and (6) improving systems for infrastructure, data, and resource management.

***Performance Analysis: Managing for Results***

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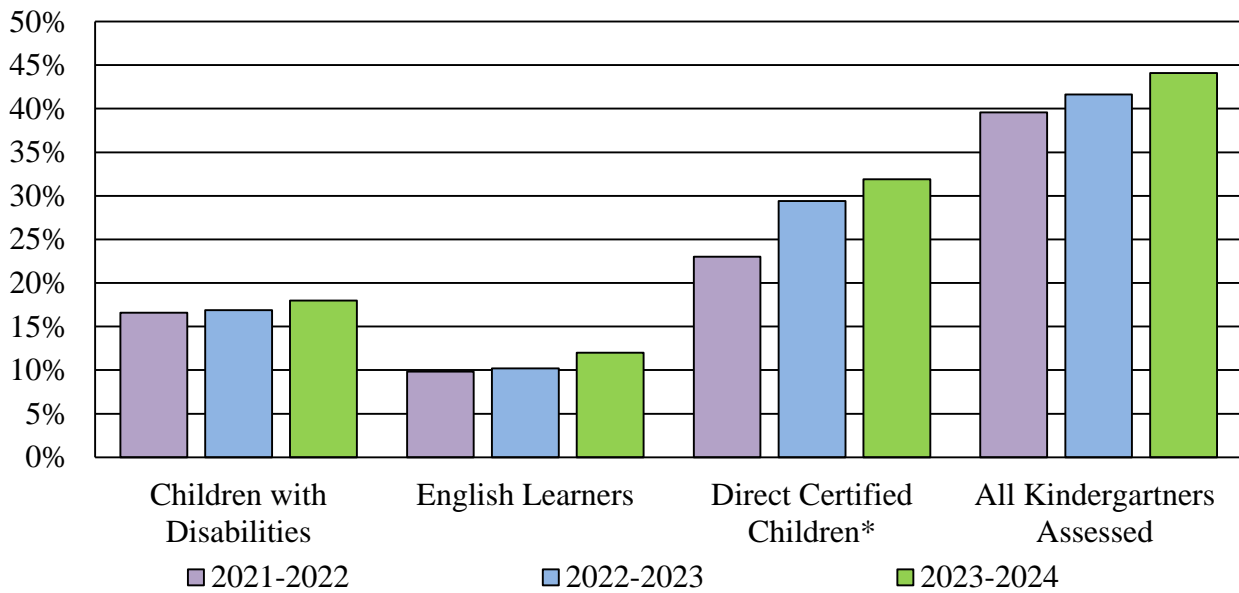
**1. Overall Gains and Persistent Gaps in Kindergarten Readiness Assessment Results**

As part of the Kindergarten Readiness Assessment (KRA) system, MSDE categorizes students based on specific indicators to determine their preparedness for school. Students are

grouped into demonstrating, emerging, or approaching readiness levels, with those demonstrating readiness meeting the foundational skills and behaviors expected in the kindergarten curriculum.

As shown in **Exhibit 1**, the overall readiness level among assessed kindergartners has steadily improved in the last three years. In the 2021-2022 school year, 40% of assessed kindergartners in Maryland demonstrated readiness for kindergarten, increasing to 42% in 2022-2023 and 44% in the 2023-2024 school year. Notably, direct-certified children, identified through participation in public benefits programs like the Supplemental Nutrition Assistance Program or Temporary Cash Assistance (TCA), showed the most significant gains in readiness, with a 6-percentage-point increase between 2021-2022 and 2022-2023 and an additional 3-percentage-point increase to 32% in 2023- 2024.

**Exhibit 1**  
**Maryland Kindergartners Demonstrating Readiness**  
**2021-2022 School Year to 2023-2024 School Year**



\*Direct certification is the process that the Maryland State Department of Education uses to identify children from low-income households by identifying the family’s use of other public benefits programs, such as Temporary Cash Assistance or the Supplemental Nutrition Assistance Program.

Source: Department of Budget and Management; Maryland State Department of Education

In contrast, English learners and children with disabilities have shown only slight improvements. For English learners, readiness levels increased from 10% in 2021-2022 and 2022-2023, to 12% in 2023-2024. Similarly, children with disabilities maintained a 17% readiness

rate from 2021-2022 to 2022-2023, with a modest rise to 18% in 2023-2024. Despite these gains, these subgroups continue to show the lowest readiness levels compared to other assessed groups.

A report on the Evaluation of Racial, Cultural, or Linguistic Bias in the KRA submitted by MSDE to the Accountability and Implementation Board (AIB) in February 2024 noted that the KRA has been subject to concerns regarding potential racial, cultural, and linguistic bias, particularly in the assessment’s items and design, which could lead to inaccurate results for students from diverse backgrounds, potentially disadvantaging certain groups when compared to their peers. This is primarily due to the possibility that the assessment may not adequately account for different cultural experiences and language variations, leading to biased interpretations of student abilities.

### **Key Points About KRA Bias Concerns**

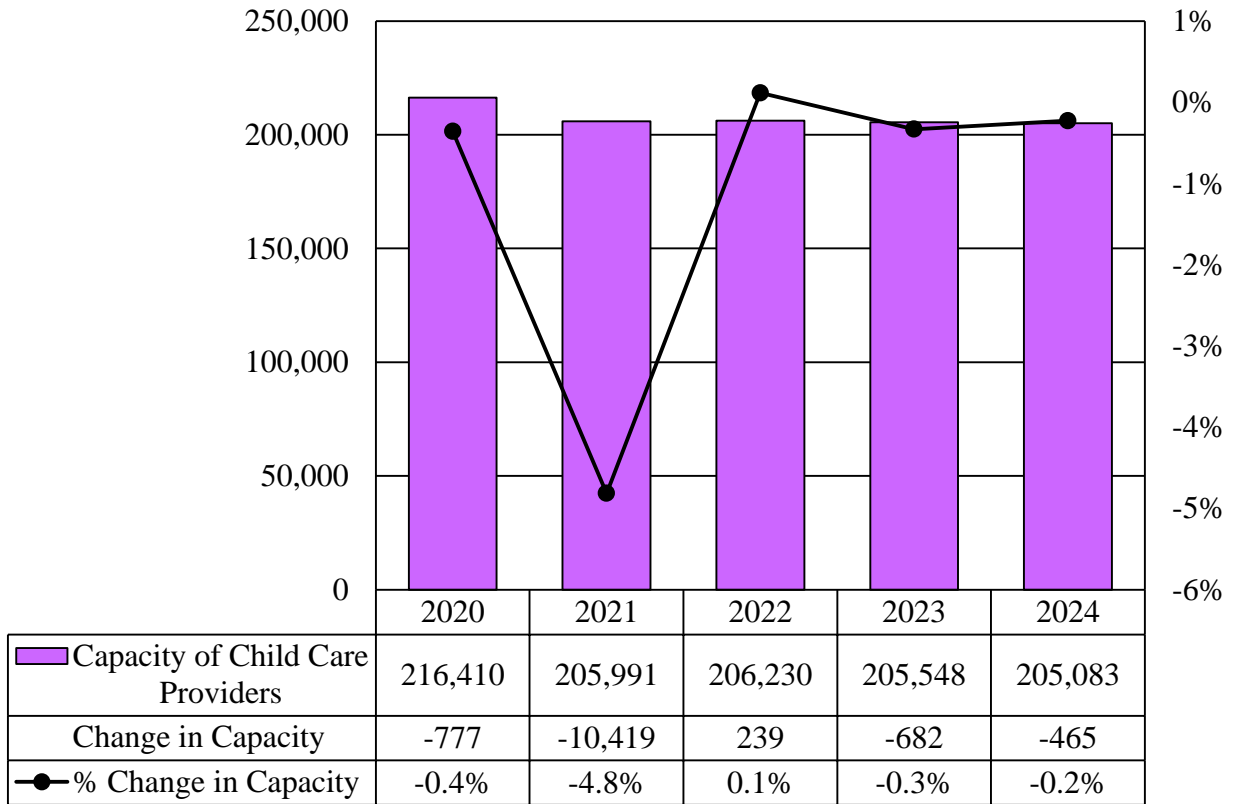
Concerns about bias in the KRA center on language, culture, and assessment design potentially affect the accuracy of readiness evaluations for diverse student populations. Critics argue that the KRA may not fully account for language dialects or proficiency levels, disadvantaging students who are not fluent in standard English. Additionally, certain assessment items may reflect the experiences of a dominant cultural group, making it more difficult for students from diverse backgrounds to demonstrate their abilities. The structure and phrasing of questions may further contribute to disparities by favoring specific ways of processing information. These biases can lead to misinterpretations of student abilities, impacting placement decisions and educational support, with minority students particularly vulnerable to negative consequences. To address these issues, regular reviews of assessment items, cultural sensitivity training for educators, and the development of more culturally inclusive assessment tools have been proposed to ensure a fairer evaluation of kindergarten readiness.

MSDE has indicated that the department is moving away from the current KRA. **MSDE should comment on the planned timeline for implementing the new assessment, how it will address concerns about bias, what steps will be taken to ensure a smooth transition for educators and students, and the impact of the AIB’s monitoring on this process.**

## **2. Slow Recovery and Continued Declines in Post-pandemic Trends in Child Care Capacity**

As shown in **Exhibit 2**, Maryland’s licensed child care capacity experienced a sharp decline during the COVID-19 pandemic, with a loss of 10,419 slots from fiscal 2020 to 2021, reflecting a 4.8% decrease. Although the rate of decline has since slowed, child care capacity has yet to recover to prepandemic levels. In 2022, there was a slight increase of 239 slots, representing a 0.1% growth, but this was followed by renewed declines of 0.3% in 2023 and 0.2% in 2024, with net losses of 682 and 465 slots, respectively.

**Exhibit 2  
Capacity of Child Care Providers  
(Shown as Licensed Slots)  
Fiscal 2020-2024**



Note: Child care capacity is presented as the total number of licensed slots in June of each fiscal year.

Source: Department of Budget and Management; Maryland State Department of Education

**MSDE should comment on the factors contributing to the continued decline in child care slots, despite the slower rate of decline following the pandemic. The agency should also outline its strategies or plans to address the persistent loss of capacity and work toward recovery, particularly in regions most affected. Additionally, MSDE should discuss any challenges or barriers that have hindered the return to prepandemic levels of child care availability. It would be helpful for the agency to provide insight into the broader impact of these trends on families and communities, as well as any initiatives in place to support child care providers in expanding or maintaining capacity in the future.**

## **Fiscal 2025**

### **Proposed Deficiency**

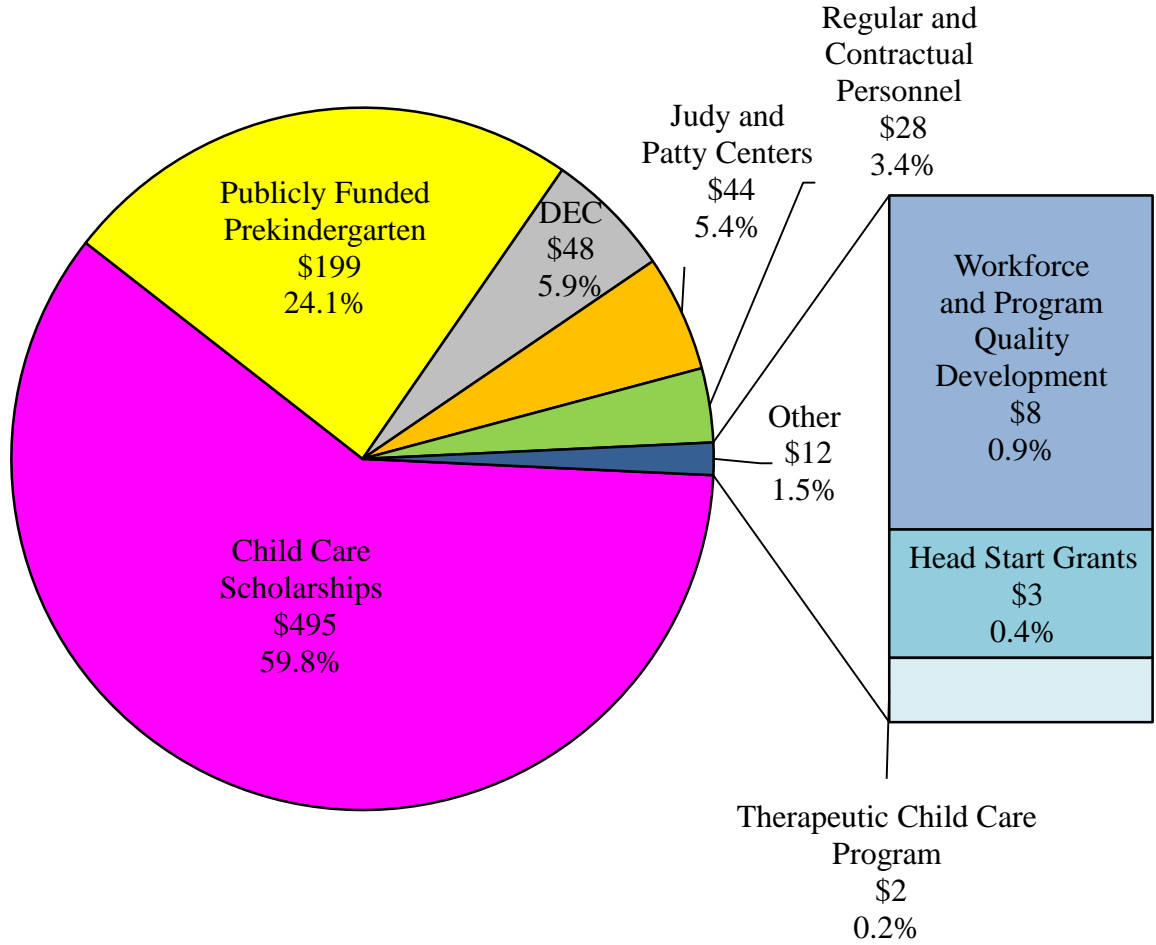
The fiscal 2026 budget includes a proposed deficiency appropriation of \$116.6 million in general funds for DEC. This deficiency is intended to address an expected shortfall in the CCS program in fiscal 2025, which resulted from increased participation that exceeded the program's original appropriation.

## **Fiscal 2026 Overview of Agency Spending**

**Exhibit 3** shows the distribution of \$827.5 million in planned spending in the fiscal 2026 allowance for early childhood services and programs under MSDE. A significant portion of the budget (84%) is allocated to directly support low-income children and families in accessing early childhood programs. This includes \$495 million (59.8%) designated for financial assistance for child care distributed through CCS payments and \$199.3 million (24.1%) in special funds for publicly funded prekindergarten. The spending on publicly funded prekindergarten includes full-day slots funded through the Maryland State Prekindergarten Grant program and Prekindergarten Expansion Grant program. Additionally, MSDE allocates funding for wraparound and supportive services, with a total of \$44.3 million (5.4%) budgeted for Judith P. Hoyer Center Early Learning Hubs (Judy Centers) and Patty Centers (also known as Family Support Centers).



**Exhibit 3  
Overview of Agency Spending  
Fiscal 2026 Allowance  
(\$ in Millions)**



DEC: Division of Early Childhood  
 Judy Center: Judith P. Hoyer Center Early Learning Hub  
 Patty Center: Family Support Center

Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2026 Budget Books

**Proposed Budget Change**

Compared to the fiscal 2025 working appropriation, the fiscal 2026 allowance reflects a decrease of \$4.0 million, or 0.5%. As shown in **Exhibit 4**, this change is primarily driven by a reduction of \$30.9 million in general fund support for the CCS program, after accounting for a proposed deficiency to address the fiscal 2025 shortfall. Additionally, there is an \$11.6 million decrease due to the conclusion of the Federal Birth to 5 grants, a \$4.3 million reduction in federal COVID relief funds, and a \$2.2 million decrease resulting from the end of the mandate for funding increases in the Therapeutic Child Care program. These reductions are partially offset by a \$37.8 million increase in prekindergarten formula funding.

**Exhibit 4  
Proposed Budget  
Maryland State Department of Education – Early Childhood Development  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
Fiscal 2024 Actual	\$308,947	\$156,570	\$209,680	\$675,197
Fiscal 2025 Working Appropriation	478,457	198,517	154,511	831,484
Fiscal 2026 Allowance	<u>444,754</u>	<u>244,147</u>	<u>138,623</u>	<u>827,524</u>
Fiscal 2025-2026 Amount Change	-\$33,703	\$45,629	-\$15,887	-\$3,960
Fiscal 2025-2026 Percent Change	-7.0%	23.0%	-10.3%	-0.5%
<b>Where It Goes:</b>				<b><u>Change</u></b>
<b>Personnel Expenses</b>				
Salary increases and associated fringe benefits including fiscal 2025 COLA and increments .....				\$2,117
Employee and retiree health insurance .....				295
Salary and fringe benefits for 4.0 new positions, this includes three new PINs for early childhood and a contractual conversion to a full-time position .....				241
Turnover rate decrease from 6.94% to 6.19% .....				182
Reclassification .....				46
Workers’ compensation .....				-7
<b>Child Care Scholarship Program</b>				
General fund support for the CCS program, after accounting for a proposed deficiency covering a projected fiscal 2025 shortfall .....				-30,900
Change in annual CCDBG federal fund support for the CCS program.....				-3,151

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<b>Where It Goes:</b>	<u><b>Change</b></u>
<b>Blueprint Initiatives</b>	
Maryland State Prekindergarten Grant program to distribute full day prekindergarten formula funding – increased enrollment in public and private providers and increase in per pupil amount.....	37,751
Judy Center expansion (18 additional centers) .....	5,940
Patty Center expansion (3 additional centers) .....	990
Maryland EXCELS Participation Bonuses .....	605
Child Care Incentive Grant Program .....	13
<b>Other Changes</b>	
End of mandate for funding increases in the Therapeutic Child Care Program ....	-2,200
Adjustment associated with a decrease in federal COVID relief funds.....	-4,275
Ending of the Federal Birth to 5 grants.....	-11,597
Other expenses .....	-10
<b>Total</b>	<b>-\$3,960</b>

CCDBG: Child Care and Development Block Grant  
 CCS: Child Care Scholarship  
 COLA: cost-of-living adjustment  
 Judy Center: Judith P. Hoyer Center Early Learning Hub  
 Patty Center: Family Support Center

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

***Personnel Data***

	<b><u>FY 24 Actual</u></b>	<b><u>FY 25 Working</u></b>	<b><u>FY 26 Allowance</u></b>	<b><u>FY 25-26 Change</u></b>
Regular Positions	174.00	209.00	213.00	4.00
Contractual FTEs	<u>56.55</u>	<u>12.50</u>	<u>13.00</u>	<u>0.50</u>
<b>Total Personnel</b>	<b>230.55</b>	<b>221.50</b>	<b>226.00</b>	<b>4.50</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	13.00	6.19%
Positions and Percentage Vacant as of 12/31/24	4.00	1.91%

Vacancies Below Turnover 9

- The fiscal 2026 allowance includes funding for 4 new positions, consisting of 3 new PINs for early childhood and 1 contractual conversion. The contractual position, previously a 0.5 full-time equivalent, has been converted to 1 full-time position. The new positions include 3 early learning specialists and 1 child care scholarship forensic investigator. The agency intends to fill these positions at the start of fiscal 2026.
- DEC reported 4 vacant positions as of December 31, 2024, less than half of the vacancies to meet the fiscal 2026 budgeted turnover of 6.19%. Of these vacancies, 2 positions have been vacant for more than one year, and the remaining 2 have been vacant for less than six months.

## *Issues*

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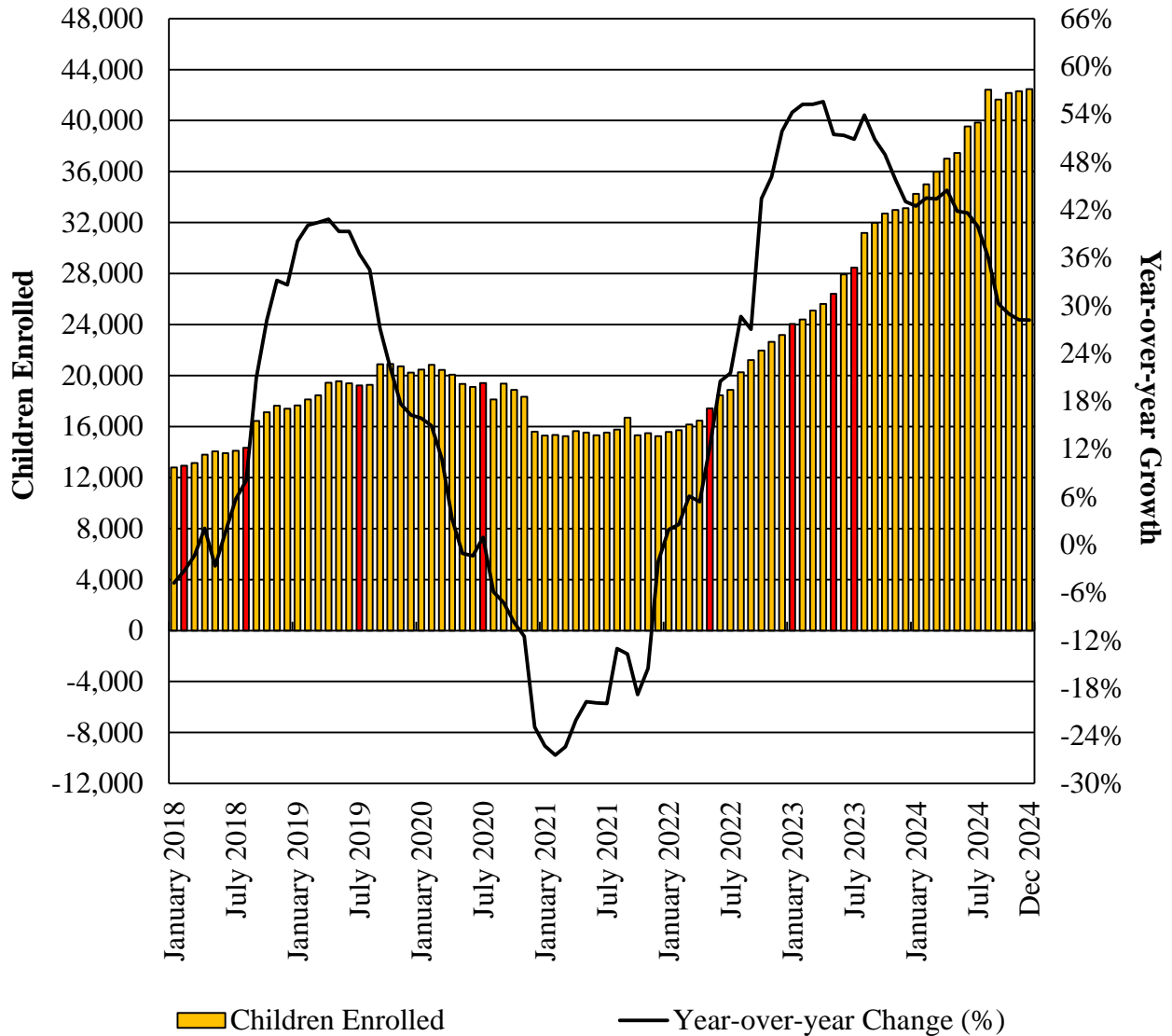
### **1. Fiscal 2026 Allowance Includes Cost Containment Measures under the CCS Program**

#### **CCS Program Enrollment Trends**

The CCS program provided financial assistance with child care tuition to 34,147 eligible children and over 22,907 families per month on average in fiscal 2024. For each child needing care, participating families receive a voucher that indicates the scholarship rate and assigned copayment (if applicable) that are determined by household income and region, among other factors. Program eligibility is primarily determined by household income, which places the family in an income eligibility scale in categories A through J (category A being lowest income and category J being highest income). For example, a family of four must have an annual income of no more than \$111,936 to qualify for CCS. Participating families use vouchers and their assigned copayment to purchase child care directly from the provider of their choice, and MSDE reimburses the provider for the approved scholarship rate. The family may also be responsible for any remaining balance between the rate charged by the provider and the voucher amount.

As shown in **Exhibit 5**, enrollment in the CCS program grew significantly from 15,296 children in January 2021 to 42,478 in December 2024, a 178% increase. This rapid expansion followed a period of decline during the COVID-19 pandemic, when temporary child care closures and reduced demand led to lower participation. Beginning in January 2022, enrollment steadily increased each month, with year-over-year growth accelerating. Notably, since September 2022, enrollment has consistently surpassed the prepandemic peak of 20,907 children in October 2019, reaching a record high of 42,478 children in December 2024.

**Exhibit 5**  
**Unduplicated Monthly Count of Children Enrolled in the Child Care Scholarship Program**  
**January 2018 to December 2024**



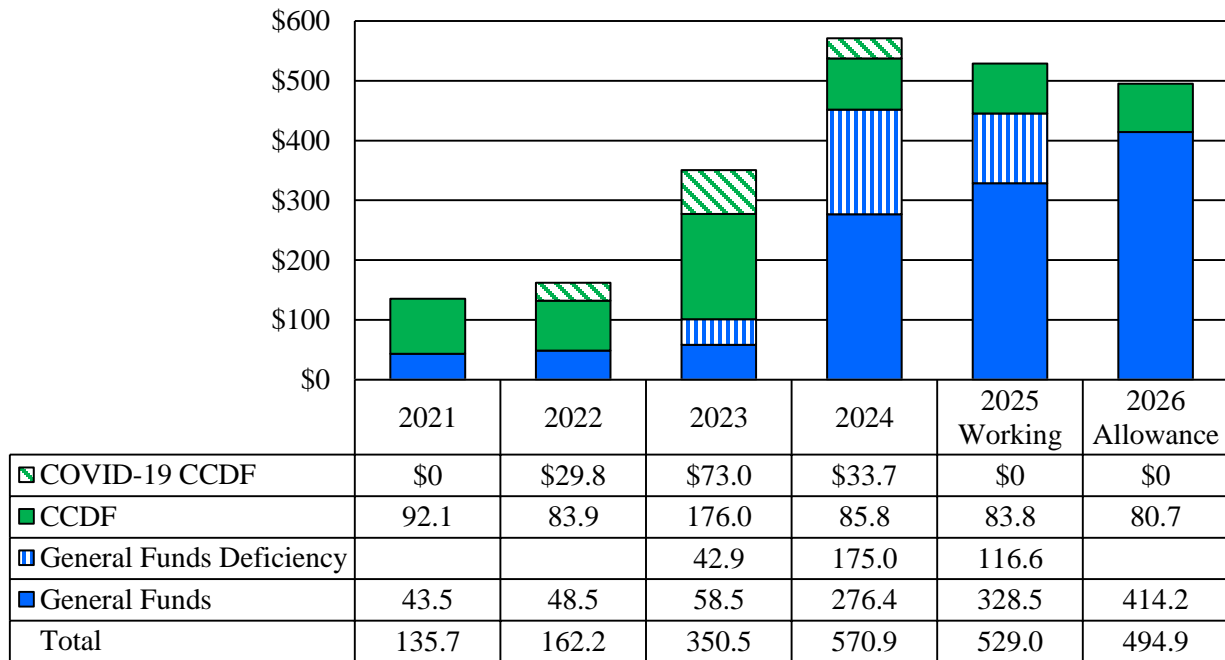
Note: Enrollment counts in October, November, and December 2024 are preliminary and may change. Bars shaded in red note significant policy changes, such as the Maryland State Department of Education lifting an enrollment freeze in February 2018; raising income eligibility levels in August 2018 and May 2022; reducing copays and increasing reimbursement rates in May 2022; and opening the full presumptive eligibility program statewide in July 2023.

Source: Maryland State Department of Education; Department of Legislative Services

### Fiscal 2025 Shortfall

Enrollment growth coupled with programmatic changes has led to higher CCS program costs and shortfalls in fiscal 2024 and 2025. As shown in **Exhibit 6**, total fund spending on CCS payments increases significantly by \$332.7 million from fiscal 2022 through the fiscal 2026 allowance. For fiscal 2022 and 2023, federal funds consistently covered a substantial portion of expenses, ranging from 70% to 71%. During that time, the annual Child Care and Development Block Grant (CCDBG) allocation into the Child Care and Development Fund (CCDF) remained the primary source of funding for the CCS program. MSDE also spent supplemental CCDBG funding authorized in the American Rescue Plan Act (ARPA) to support programmatic changes in fiscal 2022 through fiscal 2024. These funds were awarded to states to make child care more affordable and accessible for families and to meet other needs related to the State’s child care system.

**Exhibit 6**  
**Child Care Scholarship Expenditures by Fund Source**  
**Fiscal 2021-2026**  
**(\$ in Millions)**



CCDF: Child Care and Development Fund

Note: This exhibit reflects only spending on child care scholarships and does not include COVID-19 CCDF distributed as stabilization grants or CCDF spent on other early childhood system improvements. Other CCDF funding budgeted under the Division of Early Childhood for administrative costs is also excluded.

Source: Department of Budget and Management; Maryland State Department of Education; Department of Legislative Services

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Due to the ongoing costs of programmatic changes, enrollment growth, and the expiration of one-time ARPA support, CCS program expenses began exceeding available federal funds in fiscal 2023. MSDE closed fiscal 2024 with a deficit and anticipates a continued shortfall in fiscal 2025, as rising participation is expected to surpass the program’s appropriation. To address this, the fiscal 2026 allowance includes a proposed deficiency of \$116.6 million in general funds to cover the fiscal 2025 shortfall. After accounting for this deficiency, the fiscal 2026 allowance reflects a net decrease of \$34 million compared to the fiscal 2025 working appropriation.

### **Fiscal 2026 Cost Containment Measures**

Chapters 731 and 732 of 2023 generally restrict MSDE from changing key policies in place as of January 1, 2023, including raising copayment levels, reducing reimbursement rates, lowering income eligibility thresholds, or freezing program enrollment. Chapter 717 of 2024 further prohibits MSDE from increasing copayment levels in effect as of January 1, 2024. However, MSDE may still implement certain program changes if it notifies specific committees of the Maryland General Assembly (MGA) and delays the changes until after the legislative session has concluded. The fiscal 2026 budget includes a proposal for MSDE to have the authority to temporarily cap enrollment to stay within the annual budget allocation and prioritize lower-income families and those participating in workforce training and education programs.

On January 31, 2025, MSDE notified MGA of its plan to implement an enrollment freeze for the CCS program beginning May 1, 2025, and continuing through September 2025. As shown in **Exhibit 7**, a new contractor, Prenatal-to-Five Fiscal Strategies, which provides forecasting services for the program, estimates enrollment in May 2025 will reach 45,126 children at the time of the freeze. Assuming a 3.5% monthly attrition rate, enrollment will decline to 40,633 by August 1, 2025. At that point, the department will manage the program within a new cap of approximately 40,000 slots due to budget constraints, with an estimated total cost of \$497 million. Once enrollment reaches the cap, new enrollees will be admitted only as children leave the program, maintaining a steady enrollment of 40,000. According to MSDE, if the program continues to grow at the current rate and rules, the cost of the program for fiscal 2026 is projected to be \$740.6 million.



**Exhibit 7**  
**Child Care Scholarship Enrollment Freeze Estimates**  
**Fiscal 2026**  
**(\$ in Millions)**

<u>Month</u>	<u>Enrollment with Attrition</u>	<u>3.5% Attrition</u>	<u>Capped Enrollment</u>	<u>Monthly Spend</u>	<u>Cumulative Spend, Fiscal 2026</u>
Jul 2025	40,633	1,422	40,633	\$39,059,030	\$39,059,030
Aug 2025	39,211	1,372	40,000	38,450,874	77,509,904
Sept 2025	37,838	1,324	40,000	41,938,688	119,448,592
Oct 2025	36,514	1,278	40,000	41,938,688	161,387,280
Nov 2025	35,236	1,233	40,000	41,938,688	203,325,968
Dec 2025	34,003	1,190	40,000	41,938,688	245,264,656
Jan 2026	32,813	1,148	40,000	41,938,688	287,203,344
Feb 2026	31,664	1,108	40,000	41,938,688	329,142,032
Mar 2026	30,556	1,069	40,000	41,938,688	371,080,720
Apr 2026	29,487	1,032	40,000	41,938,688	413,019,408
May 2026	28,455	996	40,000	41,938,688	454,958,096
Jun 2026	27,459	961	40,000	41,938,688	496,896,784

Source: Maryland State Department of Education

Additionally, MSDE recently completed a new Market Rate Survey, the first update since 2021, reflecting the rising costs of child care services due to pandemic-related impacts and inflationary pressures on the workforce and essential supplies. The department plans to implement new provider reimbursement rates based on the sixtieth percentile of the 2024 Market Rate Survey starting in September 2025. Existing rates were set at the percentile of the prior Market Rate Survey. MSDE indicated that the fiscal 2026 allowance incorporates provider reimbursement rates at this level, and these changes will enable the department to implement the CCS program within budget and serve approximately 40,000 children. **MSDE should explain how the new lower market rates impact families, particularly in relation to copayments. Additionally, MSDE should compare the new payment rates with the existing ones to assess whether provider payments will increase, given the shift from the seventieth percentile of the previous rates to the sixtieth percentile of the new rates. Lastly, the Department of Legislative Services (DLS) recommends adopting committee narrative requesting quarterly reports on CCS program expenditures, enrollment, and the status of the waiting list.**

## **Plan to Implement a Wait List of Families**

If the enrollment freeze is approved by MGA, MSDE will implement the following strategies:

- CCS payments will continue for children with active benefits at the time of the implementation of CCS Frozen Status.
- Frozen Status will remain in effect until the budget can support current enrollment without a deficit.
- The Frozen Status List will be maintained as follows:
  - only families meeting all eligibility criteria will be placed on the Frozen Status List;
  - families not eligible or that did not complete the eligibility determination process will be provided with denial notification;
  - the Frozen Status list will be purged, periodically, if the list is in effect longer than one year; and
  - once Frozen Status is lifted, families placed in frozen status the longest will have the opportunity to apply for CCS benefits before the CCS Program proceeds to the next family on the Frozen Status List.
    - Families not responding will be removed from the Frozen Status List and will be required to reapply, if care is needed in the future.
    - Families with documentation of prior eligibility that is greater than 30 days will have to reapply.
- The following families are not subject to Frozen Status:
  - families with at least one child with an active scholarship and needing to add a sibling;
  - families receiving TCA;
  - families with a child enrolled in Head Start;
  - families where a head of household is receiving Supplemental Security Income (SSI) Benefits; and

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- families with siblings receiving SSI benefits.
- If the budget only permits a partial lift of the Frozen Status, MSDE will implement the following:
  - lift the freeze on the lowest income brackets, followed by the next highest income bracket until the budget permits the lift of Frozen Status; and
  - use Replacement Mode (when children exit the program from attrition or termination of services, the same number of children will be enrolled to maintain a target enrollment count) once the CCS branch can determine the number of children that can be enrolled and sustained without going over budget or having the budget substantially underspent.

## **2. Early Childhood Programs under the Blueprint for Maryland’s Future**

The Blueprint for Maryland’s Future education reform effort established in Chapter 36, as amended by Chapter 55, included several initiatives and mandates that expand early childhood programs and gradually phase in from fiscal 2023 through 2030. Appendix 3 details early childhood provisions in Chapter 36 and fiscal 2024 and 2025 Blueprint mandates by program.

The fiscal 2026 allowance includes \$269.6 million in total funds for Blueprint mandates supporting early childhood programs, with the majority (\$236 million) budgeted as special funds from the Blueprint for Maryland’s Future Fund. All early childhood programs expanded or funded through Chapter 36 meet their mandated funding levels in the fiscal 2026 allowance. However, the Maryland Child Care Credential Program does not receive funding in fiscal 2026, as required by Chapter 165 of 2024. MSDE acknowledges this omission as an oversight and indicates that funding for the program will be included in a supplemental budget.

Funding for Blueprint initiatives related to early childhood programs falls into the following four programs/categories:

- ***Maryland State Prekindergarten Grant Program:*** Chapter 36 established a new funding formula for voluntary prekindergarten for three- and four-year-old children from low-income families. The formula is jointly funded by the State and local governments, with per pupil funding levels increasing from \$14,473 in fiscal 2026 to \$19,950 in fiscal 2027 and 2028; in fiscal 2029, and each year thereafter, the per pupil amount for the prior fiscal year increased by the inflation adjustment as established by the BRFA of 2024. MSDE established the Maryland State Prekindergarten Grant program to distribute formula funding to local school systems and private programs.
- ***Prekindergarten Expansion Grant Program:*** MSDE has distributed competitive prekindergarten expansion grants to qualified public and private providers serving families

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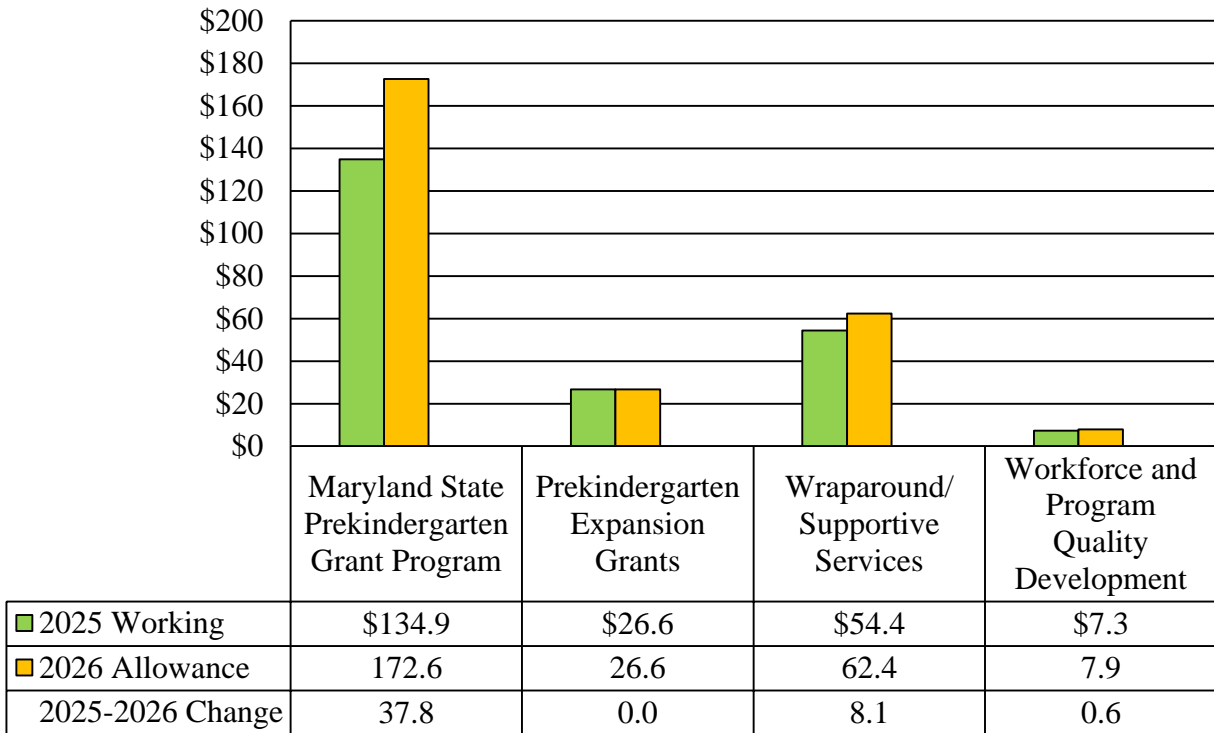
with incomes at or below 300% FPG, children with disabilities, and English learners since fiscal 2015. Chapter 36 extended the Prekindergarten Expansion Grant program through fiscal 2025. Chapter 165 of 2024 extended the fiscal year by which funds appropriated to the Prekindergarten Expansion Grant Program must be consolidated into the publicly funded full-day prekindergarten program by four fiscal years, from fiscal 2026 to 2030. The appropriations to the fund must be at least equal to the total amount of all funds received by the Expansion Grant Program in the prior fiscal year.

- ***Wraparound/Supportive Services:*** Chapter 36 expands the number of Judy Centers and Patty Centers, which offer early childhood education programs, comprehensive support services, and educational and health-related services for young children and their families. Additionally, Chapter 36 increases funding for the Maryland Infants and Toddlers Program, which provides a system of comprehensive community-based intervention services to young children up to age three who have developmental delays and disabilities.
- ***Workforce and Program Quality Development:*** Chapter 36 codified existing early childhood professional development programs, such as the Maryland Child Care Credential Program, and required certain funding levels and increases that vary across the initiatives. Chapter 165 of 2024 extends mandated funding for this program beyond fiscal 2024 by requiring the Governor to appropriate an amount in fiscal 2026 that is at least equal to the amount appropriated in fiscal 2024 (\$5,687,000). MSDE must also designate a primary contact employee for early child care to assist child care providers in improving their EXCELS rating and applying for funding and accreditation.

**Fiscal 2026 Prekindergarten Formula Funding Increases by \$37.8 Million Compared to the Fiscal 2025 Working Appropriation**

As shown in **Exhibit 8**, the largest early childhood education expansion within the Blueprint for Maryland’s Future is the funding formula for full-day, high-quality prekindergarten distributed through the Maryland State Prekindergarten Grant Program. This program constitutes 60% and 64% of the overall early childhood spending under the Blueprint for Maryland’s Future in the fiscal 2025 working appropriation and fiscal 2026 allowance, respectively. Appendix 4 provides a breakdown of fiscal 2025 and 2026 prekindergarten formula funding allocated by local school system.

**Exhibit 8**  
**Early Childhood Funding under the Blueprint for Maryland’s Future**  
**Fiscal 2025-2026**  
**(\$ in Millions)**



Source: Governor’s Fiscal 2026 Budget Books

**Exhibit 9** presents funding levels and enrollment for publicly funded full-day prekindergarten slots beginning in fiscal 2018. From fiscal 2018 to 2022, MSDE provided funding for full-day services through Prekindergarten Supplemental Grants, established by Chapters 6 and 607 of 2017, and later amended by Chapter 771 of 2019. These grants were awarded to local school systems based on the number of four-year-old students enrolled in public programs.

Chapter 36, as amended by Chapter 55, introduced a phased-in timeline starting in fiscal 2023, shifting prekindergarten funding to a formula-based approach. Under this model, MSDE and local school systems jointly fund full-day prekindergarten for three- and four-year-old children from families earning up to 300% of FPG, referred to as Tier I children. Funding is available for both public and private programs. Local school systems faced challenges in reporting prekindergarten enrollment by income tiers to calculate formula funding for fiscal 2023, specifically for families with incomes below 300% of FPG. As a result, State formula funding

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totaling \$144.1 million was calculated based on overall prekindergarten enrollment figures, serving as a transitional measure due to the absence of income tier data collection.

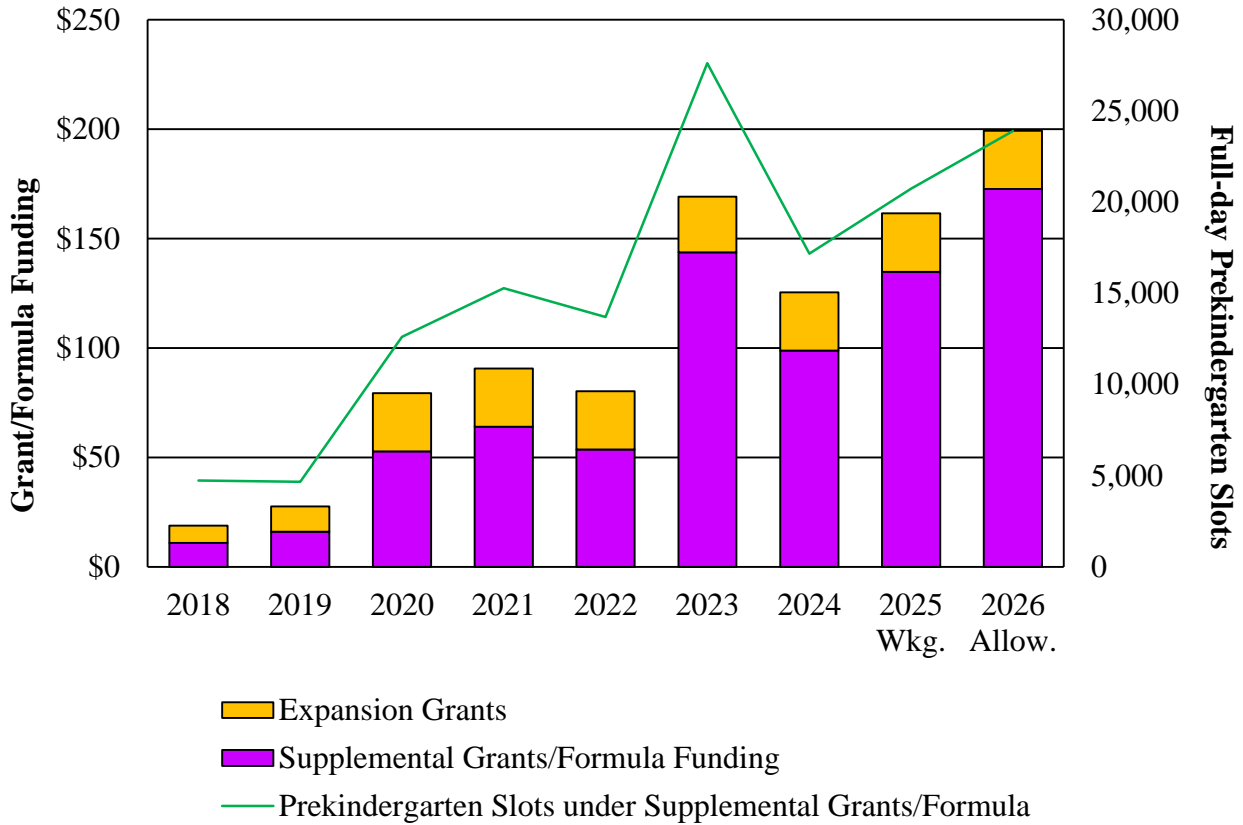
The BRFA of 2024 imposed new income-based limitations on prekindergarten eligibility. For the 2024-2025 school year, prekindergarten is restricted to Tier I students. While in the 2025-2026 school year, eligibility expands to families earning up to 360% of FPG, with a sliding scale beginning at 301% of FPG. Additional details on the sliding scale are provided in Issue 3 of this analysis.

The fiscal 2025 working appropriation and fiscal 2026 allowance include \$135 million and \$173 million for the prekindergarten formula, respectively. These funds will support 20,744 children in fiscal 2025 and 23,894 in fiscal 2026 across public and private prekindergarten slots.

The Blueprint's expansion strategy relies on both types of providers, yet many local school systems struggle to recruit private providers. Through the 2023-2024 school year, at least 30% of prekindergarten slots in each Maryland county were required to be provided through private programs. However, no county met this requirement, and all requested waivers. Most counties reported low participation from private providers, with 11 counties – such as Allegany, Charles, Garrett, Somerset, St. Mary's, and Talbot counties – reporting less than 1% or even 0% of their prekindergarten slots filled by private providers. In contrast, local jurisdictions such as Howard and Worcester counties performed better, with 13.6% and 17.7% of slots provided by private providers, respectively, though they still fell short of the mandated 30%.

In response to challenges with implementing the mixed delivery system, Chapter 165 of 2024 modified the phased-in requirement for local boards of education to provide a certain proportion of prekindergarten slots through private providers. Previously, the requirement mandated at least 30% of slots be filled by private providers in the 2022-2023 school year, increasing by 5 percentage points annually to reach 50% by the 2026-2027 school year. Under Chapter 165 of 2024, starting in the 2024-2025 school year, the minimum is set at 10%, with a 10-percentage point increase each year, reaching 50% by the 2028-2029 school year.

**Exhibit 9**  
**Full-day Prekindergarten State Funding and Enrollment**  
**Fiscal 2018-2026**  
**(\$ in Millions)**



Note: Fiscal 2018 to 2022 actual expenditures show Prekindergarten Supplemental and Prekindergarten Expansion grants. The fiscal 2023 and 2024 actual expenditure, fiscal 2025 working appropriation and fiscal 2026 allowance show Prekindergarten Expansion grants and prekindergarten formula funding distributed through the Maryland State Prekindergarten Grant program.

Source: Governor’s Fiscal 2026 Budget Books; Department of Legislative Services

### 3. Revised Prekindergarten Sliding Scale Methodology

Since fiscal 2023, the Maryland State Prekindergarten Grant Program has covered the full per pupil cost of high-quality full-day prekindergarten for families with incomes up to 300% of FPG (Tier I students). As part of the full-day prekindergarten formula established in Chapter 36, as amended by Chapter 55, MSDE is required to implement a sliding scale to subsidize

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prekindergarten services for families earning more than 300% of FPG but not exceeding 600% of FPG (Tier II students) by the start of the 2024-2025 school year. The BRFA of 2024 deferred the rollout to the 2025-2026 school year. In addition, the BRFA accelerated the phase-in of the prekindergarten per pupil amount. In fiscal 2026, the per pupil rate is \$14,473; Maryland will reach the full per pupil rate in fiscal 2027 at \$19,950 instead of in fiscal 2030.

MSDE is introducing a revised Pre-K sliding scale methodology to simplify family contributions, align with recent legislative changes, and ensure long-term fiscal sustainability. According to MSDE, the Pre-K Sliding Scale is based on a family's income and for each child, will not exceed 7% of a family's gross annual income. Maryland is using the 7% family share cap, derived from the federal CCDF guidelines and to ensure Pre-K remains affordable and accessible for families. The new methodology establishes a five-tier sliding scale for Tier II families. Depending on income level, families will contribute between approximately 1.3% and 7% of their income, with lower-income families paying less and higher-income families capped at the maximum rate.

According to MSDE, the revised approach also reflects stakeholder feedback, reduces administrative complexity, and aligns with the accelerated phase-in of the Pre-K per pupil rate. The transition to the new model will be phased in gradually, with only a portion of the sliding scale for families between 301% and 360% of FPG taking effect in the 2025-2026 school year. The full sliding scale for all Tier II families will be implemented in the 2026-2027 school year. This structure aims to balance affordability for families with sustainability for State and local governments.

While expanding access to early education is a priority, these changes pose significant budgetary pressures. The combination of eligibility growth and rising per pupil costs would require substantial new State funding at a time when fiscal constraints are a growing concern. **As shown in Exhibit 10, to ensure a more sustainable implementation of full-day prekindergarten, DLS recommends modifications to the statutory requirements: (1) to maintain the current 360% FPG eligibility cap through fiscal 2030 instead of expanding to 600% FPG in fiscal 2027; and (2) to reduce the scheduled per pupil funding increase in fiscal 2027 by setting the amount at \$17,211 per student instead of \$19,950, before resuming the planned increases in subsequent years.**



**Exhibit 10**  
**Department of Legislative Services Proposed Cost Containment Measure**  
**Fiscal 2026-2030**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>Child Eligibility as % of Poverty</b>					
Current Law	360%	600%	600%	600%	600%
DLS Recommendation	360%	360%	360%	360%	360%
<b>Per Pupil Amount</b>					
Current Law	\$14,473	\$19,950	\$19,950	Fiscal 2028 + inflation	Fiscal 2029 + inflation
Department of Legislative Services Recommendation	\$14,473	\$17,211	\$19,950	Fiscal 2028 + inflation	Fiscal 2029 + inflation

Source: Department of Legislative Services

**Exhibit 11** shows that these changes result in a reduction in State aid for full-day prekindergarten and associated education funding programs, with cumulative savings of \$113.3 million over fiscal 2027 through fiscal 2030.

**Exhibit 11**  
**Projected Savings from Department of Legislative Services Proposal**  
**State Aid Changes by Program**  
**Fiscal 2027-2030**  
**(\$ in Millions)**

	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Cumulative</u>
Full Day Prekindergarten	-\$57.5	-\$11.5	-\$14.1	-\$17.2	-\$100.3
Education Effort Adjustment	-8.7	-1.1	-0.6	-1.1	-11.5
Guaranteed Tax Base	0.0	-1.2	0.1	-0.4	-1.5
<b>Total</b>	<b>-\$66.2</b>	<b>-\$13.7</b>	<b>-\$14.6</b>	<b>-\$18.7</b>	<b>-\$113.3</b>

Source: Department of Legislative Services

**Proposed Sliding Scale for Fiscal 2026 and 2027**

In fiscal 2026, only families in the 301% to 360% FPG range will be eligible for the sliding scale. **Exhibit 12** shows the family share for fiscal 2026 as an annual amount, monthly amount, and percentage of family income. MSDE will be using FPG from the previous school year. In School Year 2025-2026, the 2024 federal poverty level (FPL) will be used. A family share will be required for families whose annual income falls between 301% to 360% of FPL for school year 2025-2026. According to MSDE, family share contributions will range from 1.3% to 1.5% of their gross annual income, significantly below the full 7%. The maximum a family will pay per child is 1.5% of their income.

**Exhibit 12  
Proposed Sliding Scale  
Fiscal 2026**

<b><u>FPG</u></b>	<b><u>Per Pupil Amount</u></b>	<b><u>Annual Family Share (Per Child)</u></b>	<b><u>Family Share as Percentage of Annual Income* (Per Child)</u></b>	<b><u>Monthly Family Share (Per Child)**</u></b>
301% to 360%	\$14,473	\$1,408.7 to \$1,648.8	1.3% to 1.5%	\$140.9 to \$164.8

\*Range based on 2024 FPG for a family of four with an annual income range of \$93,912 to \$112,320.

\*\* Based on 10 monthly payments.

FPG: federal poverty guideline

Source: Maryland State Department of Education; Department of Legislative Services

For fiscal 2027, the family shares are estimated based on the per pupil rate of \$19,950, as set by statute. As shown in **Exhibit 13**, the family share remains capped, so that no family pays more than 7% of their annual income for prekindergarten per child.

**Exhibit 13**  
**Proposed Sliding Scale**  
**Fiscal 2027**

<b><u>FPG</u></b>	<b><u>Annual Family Share (Per Child)</u></b>	<b><u>Monthly Family Share (Per Child)</u></b>
301% to 306%	\$6,774 to \$6,887	\$677 to \$689
361% to 420%	8,124 to 9,452	812 to 945
421% to 480%	9,475 to 10,802	947 to 1,080
481% to 540%	10,825 to 12,153	1,082 to 1,215
541% to 600%	12,175 to 13,503	1,218 to 1,350

FPG: federal poverty guideline

Note: The annual and monthly family share is based on the 2025 FPG of \$32,150 for a family of four, and the mandated prekindergarten program per pupil amount of \$19,950 for fiscal 2027. Family share is capped at 7% of their annual income. The monthly amount is based on a 10-month billing cycle

Source: Maryland State Department of Education; Department of Legislative Services

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MSDE indicates that the new methodology reduces administrative burdens for local education agencies and Pre-K private providers by offering a straightforward, tiered structure based on family income levels. In the previous sliding scale, each family's family share payment would be individually customized by calculating a percentage of their annual income, rather than by where the family's income falls within the five levels. Families in Tier II (301% to 600% of FPL) will continue to not pay more than 7% of their income per child. The methodology adjusts to the accelerated phase-in of the Pre-K per pupil rate, which rises significantly over the next two years. **MSDE should comment on the readiness of public schools to implement and administer family share payments under the new sliding scale model. Additionally, MSDE should address the preparedness of private Pre-K providers to serve families in the expanded eligibility groups and clarify how the program will operate under the revised structure.**

## ***Operating Budget Recommended Actions***

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1. Adopt the following narrative:

**Child Care Scholarship (CCS) Program Quarterly Reports:** The Maryland State Department of Education (MSDE) has implemented a series of significant changes under the CCS program. These changes, along with increasing program enrollment, have contributed to higher costs and shortfalls in fiscal 2023, 2024 and 2025. In response to these financial pressures, the department has proposed an enrollment freeze as a cost-saving measure to control program expenditures and align them with available funding. The committees request that MSDE submit quarterly reports with the following information:

- CCS expenditures by fund, including Child Care and Development Fund spending carried over from prior fiscal years;
- fiscal 2026 year-to-date spending and annualized cost estimates, noting the adequacy of remaining State and federal fund sources;
- the number of scholarships awarded by income eligibility category by month, total expenditures for those scholarships, and average cost per child;
- updates on whether the department is maintaining a CCS waiting list and, if so, which income categories are impacted and how many children and families have applied for CCS benefits and been added to the waiting list; and
- updates on the implementation of the enrollment freeze, including the anticipated savings and how the freeze will affect the program’s budget.

In its September 2025 report, MSDE should include actual data for the CCS program in the final quarter of fiscal 2025 and aggregate fiscal 2025 data. All reports should provide data on a monthly basis for fiscal 2026 year to date.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
CCS quarterly expenditure reports	MSDE	September 15, 2025 December 15, 2025 March 15, 2026 June 15, 2026

## **Budget Reconciliation and Financing Act Recommended Actions**

1. **Constrain Full-day Prekindergarten Growth and Upper Limit:** The expansion of full-day prekindergarten is a key initiative aimed at increasing access to early childhood education. However, the current statutory framework significantly increases both eligibility and per pupil funding levels at a time of limited resources. Without adjustments, eligibility for Tier II students will expand from 360% of the federal poverty guidelines (FPG) in fiscal 2026 to 600% FPG in fiscal 2027 and beyond. Additionally, per pupil funding is set to rise sharply from \$14,473 in fiscal 2026 to \$19,950 in fiscal 2027, with inflationary increases thereafter.

To ensure a more sustainable funding trajectory while maintaining the core objectives of the program, this recommended action modifies the rate of expansion by capping Tier II eligibility at 360% FPG through fiscal 2030 and tempering the per pupil funding increase in fiscal 2027.

**Recommended Action:** Amend statute to limit the expansion of Tier II full-day prekindergarten eligibility and adjust per pupil funding growth to constrain costs.

**Rationale:** To mitigate the fiscal impact of these provisions, this action:

1. **Caps Tier II eligibility at 360% FPG for fiscal 2027 through fiscal 2030**, rather than expanding to 600% of the federal poverty level starting in fiscal 2027 as required under current law.
2. **Reduces the per pupil funding increase for fiscal 2027**, setting it at \$17,211 instead of \$19,950, before aligning with inflationary increases in subsequent years.

**Fiscal Impact:** These changes result in a reduction in State aid for full-day prekindergarten and associated education funding programs, with cumulative savings of \$113.3 million over fiscal 2027 through fiscal 2030.

By capping Tier II eligibility and moderating the per pupil funding increase, this action ensures a more sustainable expansion of full-day prekindergarten while generating significant State fund savings.

**Appendix 1**  
**2024 Joint Chairmen’s Report Responses from Agency**

The 2024 JCR requested that MSDE prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***CCS Program Waiting List Proposal:*** MSDE provided a report that included an outline of specific spending or enrollment triggers that would prompt the implementation of an enrollment freeze within the CCS program, strategies proposed by MSDE for effectively managing waitlists within the program, and savings related to the implementation of an enrollment freeze. Further details are discussed in Issue 1 of this analysis.
- ***CCS Program Quarterly Reports:*** MSDE provided three of four quarterly reports detailing CCS program enrollment and spending trends. The final quarterly report is due May 1, 2025. Further discussion of this data can be found in Issue 1 of this analysis.
- ***Report on Survey Findings Related to Barriers for Child Care Providers to Participate in State-funded Prekindergarten Programs:*** In response to language restricting funds in the fiscal 2025 budget, MSDE and the Department of Commerce submitted a report on September 18, 2024, regarding the results of a blind survey to identify the barriers preventing child care providers from participating in the State’s publicly funded prekindergarten programs. The survey was distributed to 6,681 providers in summer 2024, with the goal of reaching all licensed and registered child care programs in Maryland. Provider participation was anonymous and voluntary. Of the 6,681 child care providers surveyed, 2,386 providers responded (just under 36%). The most commonly reported barriers for participation in State-funded prekindergarten programs were staffing shortages, insufficient funding and eligible families, administrative burdens, and quality requirements.

**Appendix 2**  
**Child Care Administration Tracking System**  
**Replacement and Migration Project**  
**Major Information Technology Development Project**  
**Maryland State Department of Education**

Funding for this project is budgeted within MSDE Headquarters Major Information Technology Development Projects.

<b>Ongoing</b>								
<b>Start Date:</b> 10/01/2023					<b>Est. Completion Date:</b> 12/31/2025			
<b>Implementation Strategy:</b> Agile								
<b>(\$ in Millions)</b>	<b>Prior Year</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Remainder</b>	<b>Total</b>
<b>GF</b>	\$0.000	\$0.000	\$0.050	\$0.000	\$0.000	\$0.000	\$0.000	<b>\$0.050</b>
<b>FF</b>	12.000	5.000	2.678	0.000	0.000	0.000	0.000	19.678
<b>Total</b>	<b>\$12.000</b>	<b>\$5.000</b>	<b>\$2.728</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$19.728</b>

The fiscal 2026 allowance includes \$50,000 for oversight.

- Project Summary:** The Child Care Administration Tracking System (CCATS) Replacement Procurement was canceled due to a pre-bid protest, and MSDE has canceled the solicitation. MSDE will work with the current vendor who is performing operations and maintenance to provide limited enhancements while moving the Licensing and Scholarship modules to a Salesforce cloud-based platform. The purpose of this project request will be to migrate and enhance the Licensing and Scholarship components of the CCATS System under the existing contract.
- Need:** DEC is undergoing rapid change and growth and is in urgent need of a more efficient enhanced data system. The new system will implement more efficient case management and provide more efficient, automated data collection and entry. The migration project will provide processing support for internal staff and expand customer portal services for Child Care Scholarship Eligibility, Payments, Licensing, Staff Evaluation, and Inspections.
- Changes:** MSDE has negotiated with the current CCATS maintenance contractor to migrate Licensing and Scholarship modules to a SaaS platform. The modification increases the task order dollar amount by \$31,081,911 and extends the task order term to December 31, 2025. The modification also provides for continued maintenance of the legacy CCATS through the end of the task order.
- Concerns:** If resources are not consistently available to the project, the implementation schedule may be delayed, and the quality of the solution impacted.

**Appendix 3**  
**Early Childhood Mandates Under Chapter 36 (the Blueprint for Maryland’s Future)**  
**Fiscal 2025-2026**  
**(\$ in Millions)**

<u>Early Childhood Program</u>	<u>2025 Working</u>	<u>2026 Allowance</u>	<u>2025-2026 Change</u>	<u>Chapter 36 Mandates</u> <u>As Amended by Chapter 55 and Chapter 165 of 2024</u>
<b>Publicly Funded Prekindergarten</b>				
Full-day Prekindergarten Formula Grants	\$134.867	\$172.618	\$37.751	Children from families with household incomes at or below 300% federal poverty guidelines may receive funding for publicly funded prekindergarten services in fiscal 2025. Eligibility expands to children from families with household incomes up to 360% of federal poverty guidelines in fiscal 2026. The per pupil funding amount increases from \$13,003 in fiscal 2025 to \$14,473 in fiscal 2026.
Prekindergarten Expansion Grants	26.644	26.644	0.000	From fiscal 2026 to 2030, the appropriations to the fund must be at least equal to the total amount of all funds received in the prior fiscal year.
<b>Subtotal</b>	<b>\$161.511</b>	<b>\$199.262</b>	<b>\$37.751</b>	
<b>Wraparound/Supportive Services</b>				
Infants and Toddlers Program <sup>1</sup>	\$16.958	\$18.100 <sup>2</sup>	\$1.142	The fiscal 2025 allowance provides \$18 million in fiscal 2026 for the Maryland Infants and Toddlers Program.
Judy Centers	30.876	36.816 <sup>2</sup>	5.940	The State shall fund 9 additional Judy centers per year from fiscal 2021 through fiscal 2025 (funded at \$330,000 per center) and 18 additional centers annually in fiscal 2026 through 2030, culminating in 135 new Judy Centers by fiscal 2030.



<u>Early Childhood Program</u>	<u>2025 Working</u>	<u>2026 Allowance</u>	<u>2025-2026 Change</u>	<u>Chapter 36 Mandates As Amended by Chapter 55 and Chapter 165 of 2024</u>
Patty Centers	6.522	7.512	0.990	The State shall fund three additional Patty centers per year from fiscal 2022 through 2029 (funded at \$330,000 per center).
<b>Subtotal</b>	<b>\$54.356</b>	<b>\$62.428</b>	<b>\$8.072</b>	
<b>Workforce/Program Quality Development</b>				
Maryland Child Care Credential Program	\$0.000	\$0.000	\$0.000	Special fund expenditures must increase by \$5.7 million in fiscal 2026, which reflects the mandated appropriation for the Child Care Credential Program.
Maryland EXCELS provider bonuses	6.050	6.655	0.605	From fiscal 2022 through 2026, funding for Maryland EXCELS bonuses will increase by 10% over the prior fiscal year.
Child Care Accreditation Support Fund	1.000	1.000	0.000	The Governor shall appropriate at least \$1.0 million beginning in fiscal 2021.
Child Care Incentive Grant Program	0.133	0.146	0.013	From fiscal 2022 through 2030, funding for this program shall increase 10% over the prior year.
Early childhood primary contact	0.121	0.148 <sup>2</sup>	0.028	MSDE shall designate a primary contact employee for early child care in the Office of Child Care.
<b>Subtotal</b>	<b>\$7.304</b>	<b>\$7.949</b>	<b>\$0.646</b>	
<b>Total</b>	<b>\$223.170</b>	<b>\$269.639</b>	<b>\$46.469</b>	

<sup>1</sup>Budgeted under R00A02.07.

<sup>2</sup>Fully or partially supported with general funds.

Source: Governor's Fiscal 2026 Budget Books; Maryland State Department of Education; Department of Legislative Services

**Appendix 4**  
**Formula Funding Distributed through the Maryland State Prekindergarten**  
**Grant Program and Prekindergarten Expansion Grant Program by**  
**Local School System**  
**Fiscal 2024-2026**

<b><u>Local School System</u></b>	<b><u>2024 Prekindergarten Expansion Grant Allocations</u></b>	<b><u>Formula Funding</u></b>		
		<b><u>2025 Working</u></b>	<b><u>2026 Allowance</u></b>	<b><u>Change</u></b>
Allegany	-	\$2,313,762	\$3,154,866	\$841,104
Anne Arundel	\$1,690,000	9,710,758	12,212,422	2,501,664
Baltimore City	2,763,647	30,535,570	34,099,941	3,564,371
Baltimore	2,067,000	3,937,558	14,313,335	10,375,777
Calvert	715,000	1,041,701	1,605,376	563,675
Caroline	1,131,000	3,849,436	3,901,947	52,511
Carroll	1,579,500	1,981,684	2,614,280	632,596
Cecil	913,650	3,247,647	3,917,018	669,371
Charles	260,000	4,898,523	7,705,003	2,806,480
Dorchester	390,000	2,108,710	2,683,129	574,419
Frederick	4,392,872	6,428,255	8,776,296	2,348,041
Garrett	-	650,483	838,596	188,113
Harford	1,218,943	3,458,481	5,241,317	1,782,836
Howard	2,970,600	3,310,021	4,730,850	1,420,829
Kent	-	294,241	318,939	24,698
Montgomery	2,485,685	8,103,771	9,688,678	1,584,907
Prince George’s	5,057,392	26,872,125	30,654,325	3,782,200
Queen Anne’s	741,000	633,817	1,130,272	496,455
St. Mary’s	-	3,123,518	3,383,524	260,006
Somerset	858,000	2,560,697	2,865,473	304,776
Talbot	-	514,797	729,643	214,846
Washington	596,300	6,549,455	8,013,388	1,463,933
Wicomico	809,174	7,613,252	8,720,075	1,106,823
Worcester	1,612,340	1,128,861	1,318,996	190,135
<b>Total</b>	<b>\$32,252,103</b>	<b>\$134,867,123</b>	<b>\$172,617,689</b>	<b>\$37,750,566</b>

Note: Fiscal 2024 Prekindergarten Expansion grants include American Rescue Plan Act federal funds.

Source: Governor’s Fiscal 2026 Budget Books; Maryland State Department of Education

**Appendix 5**  
**Object/Fund Difference Report**  
**Maryland State Department of Education – Early Childhood Development**

<u>Object/Fund</u>	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u> <u>Appropriation</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25 - FY 26</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	174.00	209.00	213.00	4.00	1.9%
02 Contractual	56.55	12.50	13.00	0.50	4.0%
<b>Total Positions</b>	<b>230.55</b>	<b>221.50</b>	<b>226.00</b>	<b>4.50</b>	<b>2.0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 21,707,990	\$ 23,934,574	\$ 26,807,139	\$ 2,872,565	12.0%
02 Technical and Special Fees	5,296,855	1,463,891	1,449,836	-14,055	-1.0%
03 Communication	580,308	578,800	578,800	0	0%
04 Travel	145,679	75,000	75,000	0	0%
06 Fuel and Utilities	50,254	55,000	55,000	0	0%
07 Motor Vehicles	38,712	2,262	2,142	-120	-5.3%
08 Contractual Services	47,059,012	22,593,568	19,339,832	-3,253,736	-14.4%
09 Supplies and Materials	91,416	90,000	90,000	0	0%
10 Equipment – Replacement	9,791	460,000	460,000	0	0%
11 Equipment – Additional	86,252	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	598,955,887	664,622,134	777,656,481	113,034,347	17.0%
13 Fixed Charges	1,173,727	1,009,080	1,009,586	506	0.1%
14 Land and Structures	1,048	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 675,196,931</b>	<b>\$ 714,884,309</b>	<b>\$ 827,523,816</b>	<b>\$ 112,639,507</b>	<b>15.8%</b>
<b>Funds</b>					
01 General Fund	\$ 308,946,942	\$ 361,856,508	\$ 444,753,982	\$ 82,897,474	22.9%
03 Special Fund	156,570,228	198,517,153	244,146,581	45,629,428	23.0%
05 Federal Fund	209,679,761	154,510,648	138,623,253	-15,887,395	-10.3%
<b>Total Funds</b>	<b>\$ 675,196,931</b>	<b>\$ 714,884,309</b>	<b>\$ 827,523,816</b>	<b>\$ 112,639,507</b>	<b>15.8%</b>

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management .

**Appendix 6**  
**Fiscal Summary**  
**Maryland State Department of Education – Early Childhood Development**

<u>Program/Unit</u>	<u>FY 24 Actual</u>	<u>FY 25 Wrk. Approp.</u>	<u>FY 26 Allowance</u>	<u>Change</u>	<u>FY 25 - FY 26 % Change</u>
04 Division of Early Childhood	\$ 90,943,864	\$ 78,144,876	\$ 76,732,787	-\$ 1,412,089	-1.8%
06 Prekindergarten Expansion	125,497,558	161,511,123	199,261,689	37,750,566	23.4%
57 Transitional Education Funding Program	43,937,915	52,694,452	45,827,930	-6,866,522	-13.0%
58 Head Start	2,835,359	3,000,000	3,000,000	0	0%
59 Child Care Assistance Grants	411,982,235	419,533,858	502,701,410	83,167,552	19.8%
<b>Total Expenditures</b>	<b>\$ 675,196,931</b>	<b>\$ 714,884,309</b>	<b>\$ 827,523,816</b>	<b>\$ 112,639,507</b>	<b>15.8%</b>
General Fund	\$ 308,946,942	\$ 361,856,508	\$ 444,753,982	\$ 82,897,474	22.9%
Special Fund	156,570,228	198,517,153	244,146,581	45,629,428	23.0%
Federal Fund	209,679,761	154,510,648	138,623,253	-15,887,395	-10.3%
<b>Total Appropriations</b>	<b>\$ 675,196,931</b>	<b>\$ 714,884,309</b>	<b>\$ 827,523,816</b>	<b>\$ 112,639,507</b>	<b>15.8%</b>

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.