MARYLAND
FAMILY
NETWORK

1800 WASHINGTON BLVD, SUITE 445
BALTIMORE, MARYLAND 21230-2344
tel 410.659.7701 fax 410.783.0814

marylandfamilynetwork.org

PUBLIC POLICY REPORT
APRIL 2024

Summary of Key Victories

Unprecedented Investments in Child Care for Working Families

The Moore Administration committed new State funds in the amounts of $218 million for FY 2024 and $270 million FY 2025 for the Child Care Scholarship Program (CCS). Each of these funding increases alone dwarfs the State's largest prior single-year allocation, raising the FY 2025 CCS budget to $328.5 in State funds and $412.4 million from all sources.

The magnitude of this investment cannot be overstated. The Governor's historic commitment to CCS validates and elevates the advocacy that MFN and its allies have conducted for decades. And it could not come at a better time for Maryland's children, working families, and child care providers.

Protecting Families from New Child Care Costs and Wait Lists

Legislation championed by MFN in 2023 provided critical safeguards against future CCS cost cutting. Nonetheless, a proposal emerged in early January to reimpose copayments, quite onerous in some cases, on families participating in CCS. A second measure would have permitted the Administration to institute a CCS enrollment freeze and establish a wait list without input from the General Assembly—in effect repealing last year's legislation. MFN spearheaded the opposition to both proposals and prevailed.

Lowering Barriers for Child Care Participation in Pre-K

The principle of "mixed delivery" is a cornerstone of pre-K expansion in Maryland, but the public-private partnerships needed for mixed delivery to work have been hamstrung by certification barriers that prevent most high-quality child care programs from participating. Drafted with significant input from MFN and its allies, HB 1441 establishes viable alternative pathways to certification that recognize experience-based criteria and build on providers' strengths. The bill also introduces "hubs" to support professional development and provider participation.

Growing Opportunities for Family Child Care (GOFCC)

GOFCC, a homegrown MFN pilot program established in 2021, works to support the opening and sustained success of new family child care providers, whose numbers have experienced sharp decline. A key committee briefing organized by MFN early in Session documented GOFCC's outstanding results. Subsequent budget action and parallel legislation won funding for this vital program for an additional two years.

(details follow below)

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In 2011, while serving as the Obama Administration's budget director, Jack Lew wrote in a New York Times opinion piece, "The budget is not just a collection of numbers, but an expression of our values and aspirations."

Twelve years later, in a speech announcing the release of his FY 2023 federal budget proposal, President Joe Biden quoted his father in saying, "Don't tell me what you value. Show me your budget, and I'll tell you what you value."

Maryland's annual budget typically dominates the focus of each year's Session of the General Assembly, and budget advocacy always constitutes a top priority for MFN. But to suggest that budget bills exist separately from policy legislation can sometimes create a false dichotomy. In ways both grand and granular, the budget embodies policy priorities. Looking at the 2024 Session from MFN's perspective, rarely have policy and budget matters been so tightly intertwined.

While the Administration's FY 2025 budget proposed truly historic investments in child care, details accompanying the budget put at risk hard-fought gains for parents and providers enacted just last year. In the meantime, efforts to reduce barriers for child care provider participation in the mixed delivery of publicly funded prekindergarten unexpectedly brought accelerated financial incentives. Not every bill that MFN supported or opposed had direct fiscal implications. Some, for example, threatened to dilute or remove important health and safety protections (and were successfully resisted).

But the Session's top takeaway couldn't be clearer: Budget equals policy. Money matters.

Gray clouds line the horizon, however. Several tranches of federal pandemic relief funds that have weighed favorably on Maryland's balance sheet since 2020 have now expired. A robust economic rebound that bolstered the State's fiscal outlook in recent years appears to have dissipated. Disheartening projections show a looming structural deficit in coming years, while starkly differing revenue-raising strategies between the House of Delegates and the Senate have thus far proved highly contentious. And now the Governor and the General Assembly must reckon with the fiscal fallout of the Key Bridge disaster, the effects of which range from massive disruption of ship traffic, port-related commerce, and employment to the impact of lost bridge toll collection on the State's beleaguered transportation fund.

Ambitions that ran high in the wake of the 2022 election have had their brakes firmly applied. Economic indicators and State revenue trends during the Interim and leading into the 2025 Session will be monitored carefully. In the meantime, policymakers and early care and education advocates can point proudly to several of this year's accomplishments.

Key Victories

UNPRECEDENTED INVESTMENTS IN CHILD CARE FOR WORKING FAMILIES

Maryland's Child Care Scholarship Program (CCS) helps parents 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. In short, CCS keeps parents earning and children learning. Increasingly, CCS is also recognized as an important contributor to the economy overall. (See, for example, MFN's and the Maryland Center on

Economic Policy's recent report "Child Care Scholarship Reforms Make a Big Difference for Maryland's Economy." *https://www.marylandfamilynetwork.org/news/child-care-scholarship-reforms-make-big-difference-for-marylands-economy)*

Prior to 2018, Maryland had one of the very worst child care subsidy programs in the country, according to testimony in Annapolis by a top US-HHS official. That year launched a succession of dramatic improvements to CCS—raising subsidy rates, expanding family eligibility, and capping or altogether eliminating copayments—that reached a high point in 2022. Scholarship rates were increased to the 70th percentile of the market, up from their abysmal 9th percentile level just four years previously. The family income eligibility limit was expanded to just over $90,000 for a family of four, compared to $35,000 for a similar family in 2018. Costly parental copayments were eliminated for many families and drastically reduced for all others.

While both State and federal resources have underwritten these dramatic improvements, the latest round of incremental enhancements made extensive use of funding from the American Rescue Plan Act (ARPA), the most recent in a series of federal pandemic relief packages. ARPA dollars have now expired.

Against this backdrop, it is all the more astounding that the Moore Administration committed new State funds in the amounts of $218 million for FY 2024 and $270 million FY 2025 for the Child Care Scholarship Program (CCS). Each of these funding increases alone dwarfs the State's largest prior single-year allocation, raising the FY 2025 CCS budget to $328.5 in State funds and $412.4 million from all sources. Even factoring in the huge influxes of federal COVID relief dollars that began in FY 2020 and have now been fully exhausted, the current allocation more than doubles the previous five-year average annual appropriation for CCS.

The magnitude of this State investment cannot be overstated. The Governor's historic commitment to CCS validates and elevates the advocacy that MFN and its allies have conducted for decades. And it could not come at a better time for Maryland's children, working families, and child care providers.

PROTECTING FAMILIES FROM NEW CHILD CARE COSTS AND WAIT LISTS

For all that is worthy of praise and celebration in the Governor's FY 2025 budget, it also came with two adjacent provisions that raised major concerns. The Department of Budget and Management and MSDE, citing the significant increase in CCS enrollment precipitated by recent improvements to the program, sought authorization to institute cost-cutting measures. MFN resisted both proposals vigorously.

In the first case, MSDE notified legislative leaders in early January of its intent to reimpose copayments—quite onerous in some cases—for families participating in CCS. Since May 2022, copayments have been waived for most families and drastically reduced for all others. Notably, this notification was in keeping with the requirements of legislation MFN successfully championed just last year (HB 495 / SB 350), which both raised the floor for CCS eligibility and benefits and limited the ability of the Administration to impose cost-cutting measures unilaterally, without an opportunity for the General Assembly to review and possibly take corrective action.

A second troubling provision was included in the budget bill's companion Budget and Reconciliation Financing Act (BRFA) an annual legislative maneuver that allows for adjustments to previously enacted budget commitments and legislation. Most worrisome, the 2024 BRFA would have granted MSDE sole discretion to implement an enrollment freeze and re-establish a CCS wait list—in effect repealing one of the most critical safeguards provided in last year's HB 495 / SB 350.

Maryland families, children, and child care programs have endured several multi-year periods of CCS enrollment freezes and waiting lists since the early 1990s. In each case, the freezes were instituted unilaterally by MSDE or the previous agency responsible for administering CCS. The most recent enrollment freeze was imposed in 2011 and was not fully lifted until 2018. At the high-water mark, more than 20,000 children languished on a CCS wait list. Meanwhile, in FY 16, FY 17, and FY 18, despite the lingering wait list, MSDE underspent available funding for CCS by more than $55 million.

After last year's successful effort to secure a critical new degree of CCS ownership, oversight, and accountability for the General Assembly, legislative leaders quickly recognized the stakes involved, but the outcome remained in doubt until the final stages of Session. Debate took place mostly behind the scenes but was nonetheless intense, culminating in the BRFA conference committee. MFN spearheaded the opposition to both proposals and ultimately prevailed.

LOWERING BARRIERS FOR CHILD CARE PARTICIPATION IN PRE-K

A cornerstone of pre-K expansion under the "Blueprint for Maryland's Future"—the State's landmark 2020 education reform bill—is "mixed delivery," the principle that publicly funded pre-K for 3- and 4-year-olds should be offered not solely in public schools. High-quality providers already established in their communities, such as child care programs, can receive public funds to educate pre-K students, provided that the quality of the education is the equivalent of what those pupils would receive in a public school classroom. MFN has championed legislation advancing this concept for nearly two decades.

The importance of mixed delivery is four-fold: it allows school systems to focus funds on instruction rather than capital costs; it better meets the wrap-around care needs of working parents; it incentivizes the expansion of quality for all children served in the community-based programs, not just the pre-K population; and it avoids undermining the affordability of child care for children birth though age 3.

The public-private partnerships needed to put mixed delivery into practice have been hamstrung by requirements that lead pre-K teachers hold traditional academic certification, raising insurmountable hurdles for most child care providers, regardless of their ability. To cite just one example, demanding that teaching certification candidates perform a "practicum" in a public school effectively requires child care providers to leave their jobs for training in a school setting, disrupting both their livelihoods and the continuity of care for children in their programs. In all likelihood, many of those providers will not return to child care, exacerbating the early childhood workforce shortage and further undermining the goals of mixed delivery.

Drafted with significant input from MFN and its allies, HB 1441 admirably balances the need to reduce barriers with an indispensable commitment to quality. It establishes viable alternative pathways to certification that recognize experience-based criteria and build on providers' strengths. The "career ladder" detailed in the legislation covers pre-K teaching assistants, lead teachers, and teacher-mentors whose role in part is to guide and assist their colleagues in achieving required benchmarks. The bill also introduces a new network of "hubs" to support professional development and provider participation. Companion action in the BRFA will accelerate the per-pupil public funding for pre-K students, decreasing fiscal challenges and increasing the incentive for private providers to participate.

Working closely with allies in the field and key committee staff as well as legislative leaders, MFN prioritized this important bill. A model of collaboration, the legislation represents a game-changer for mixed delivery. It reached final passage on Sine Die.

GROWING OPPORTUNITIES FOR FAMILY CHILD CARE (GOFCC)

GOFCC, a homegrown MFN pilot program established in 2021, works to support the opening and sustained success of new family child care providers, who form a critical component of Maryland's child care delivery system. Family child care providers offer child care that most closely resembles the care that children receive in their own homes. Family child care providers care for many children who have special needs or need care during nontraditional hours. In rural areas, where population density may not support larger child care centers, family child care providers play a particularly important role. They also provide linguistically and culturally appropriate care within many communities in the State.

Unfortunately, the number of registered family child care providers in Maryland has been declining precipitously for more than two decades, from a high of more than 12,000 in 1996 to just over 4,300 2023. The declining number of family child care homes brings a tremendous degree of unmet need.

Legislation MFN advanced in 2021 created a low-cost, time-limited pilot program to increase the supply of family child care programs and ensure the sustainability of new and existing ones, particularly within underserved communities. That pilot program has achieved and documented remarkable outcomes, ultimately helping expand the supply of quality child care while supporting the efforts of low-income women—many in communities of color—to establish successful small businesses.

Here are some top-line results: Following an initial planning and grant award process, GOFCC began operating in September 2022. Since then, more than 300 participants have been engaged in five regions around the state. The duration of time between the beginning of the application process to licensing has been shaved, on average, from between 12 - 18 months to approximately 5 months—encouraging more prospective providers to see the process through and creating new child care slots at a faster pace.

More than 100 participants have achieved final licensing, adding more than 800 child care slots. More than 80 participants are in the late stages of gaining final licensing approval, representing another approximately 650 prospective child care slots. The remaining participants are still progressing through the process, with the potential to add more than 1,100 new slots.

These figures, impressive as they are, address only the start-up/licensure component of GOFCC. The program has also worked extensively and successfully to ensure that the new child care enterprises are well-versed in business sustainability practices and engaged in the State's child care quality enhancement initiatives.

This is one of the ways in which sound public policy ideally works. A promising idea is piloted; its results are collected and evaluated; and when the results warrant, we attempt to build on that success. With funding for the pilot program due to expire later this year, MFN organized a key committee briefing early in the 2024 Session to document GOFCC's outstanding results. Subsequent budget action and parallel legislation won funding for this vital program for an additional two years.

LOOKING AHEAD

Moving forward, MFN's public policy work of necessity continues throughout the Interim between General Assembly sessions, as freshly minted legislation is implemented, task forces meet, new budget proposals are developed, contracts are negotiated, regulations are promulgated, and new ideas for legislation emerge for discussion and debate. For the remainder of 2024, diligent follow-up by MFN and its allies, particularly on the fiscal status of CCS, will be essential.

In times of change and challenge, the role of a respected and resourceful advocate grows all the more critical. MFN will stand prepared to protect the needs and advance the interests of Maryland's young children and their families.

Special thanks are due to the organizations that targeted funds for MFN's advocacy work in 2024: The Alliance for Early Success, the Annie E. Casey Foundation, the Baltimore Community Foundation, the Fund for Change, Our American Future Foundation, the Richman Family Foundation, the Sherman Family Foundation, the Thalheimer-Eurich Charitable Fund, and the Wright Family Fund. MFN also gratefully acknowledges the generous contributions from its Board of Directors, Champions for Children, and other individual donors.