

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 849

(Delegate Mireku-North, *et al.*)

Ways and Means and Appropriations

Education, Energy, and the Environment and
Budget and Taxation

Child Care Scholarship Program - Freeze in Enrollment - Exceptions and
Waitlist

This bill prohibits a freeze in enrollment in the Child Care Scholarship (CCS) Program from applying to (1) a family or an individual who is enrolled in the Temporary Cash Assistance (TCA) Program; (2) a family or an individual who is enrolled in the federal Temporary Assistance for Needy Families Program; (3) a child, parent, or caregiver who is enrolled in the federal Supplemental Security Income (SSI) Program; (4) a sibling of an enrolled child; or (5) a child who is homeless. These individuals must otherwise meet the criteria for enrollment in the CCS Program (described below). The Maryland State Department of Education (MSDE) must establish a waitlist during any enrollment freeze, which must give priority to certain applicants. The bill also requires MSDE to (1) develop a new application for the CCS Program that collects specified information and (2) review the methodology used to determine whether a parent or guardian is attending a job training program for determining eligibility for a scholarship. The bill is contingent on separate legislation (House Bill 1321) that, among other changes, modifies the CCS Program application process and copayment levels. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$350,000 in FY 2027 for reprogramming; costs related to the bill's waitlist exemptions are likely covered by savings anticipated under House Bill 1321, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: If MSDE establishes an enrollment freeze, MSDE must establish a waitlist for eligible individuals who apply to the program after the freeze is in effect. The waitlist must remain in effect as long as there are fewer available awards under the program than eligible applicants for the program. The waitlist must give priority for enrollment to qualified applicants in the following order of priority:

- applicants with the greatest financial need, based on annual household income;
- applicants who work at least 20 hours per week as an employee or operator of a child care center, a family child care home, a large family child care home, or an eligible publicly funded prekindergarten program under Title 7, Subtitle 1A of the Education Article that accepts children enrolled in the program;
- applicants enrolling a child younger than age three; and
- applicants who have been on the waitlist for the longest period of time.

Child Care Scholarship Program Application

MSDE must develop a new application for the CCS Program that collects information necessary to determine whether an individual is employed for at least 20 hours a week by a child care center, a family child care home, a large family child care home, or an eligible publicly funded prekindergarten program that accepts CCS recipients.

In implementing the waitlist required by the bill, MSDE must focus on enrolling other eligible applicants prioritized on the waitlist until the new application is developed in accordance with the bill.

Job Training Determination

MSDE must review the methodology used to determine whether a parent or guardian is attending a job training program for the purposes of determining eligibility for a scholarship under the CCS Program. In conducting its review, MSDE must consider alternative methods of measuring job training that could result in qualifying additional applicants. By December 15, 2026, MSDE must report to the General Assembly on the results of its review.

Current Law: The CCS Program provides financial assistance with child care costs to low-income families that meet applicable State or federal requirements. The program is funded through a combination of State funds and the federal Child Care and Development Block Grant. All participating parents or guardians must meet a variety of technical requirements and must be working or enrolled in school, a training program, or a work-related activity.

To meet income requirements, an individual must meet income guidelines that vary based on family size or be a recipient of TCA or SSI. Beginning July 1, 2023, the Maryland State Department of Education (MSDE) implemented a process for granting presumptive eligibility to individuals who attest to meeting the eligibility requirements for a scholarship, as required by Chapters 525 and 526 of 2022. Effective May 2022, MSDE also increased the income eligibility threshold to 75% of the State median income using federal assistance distributed to states during the COVID-19 pandemic.

For each child needing care, eligible families receive a voucher with the scholarship rate, which is used to purchase child care directly from the provider of their choice. Families also receive access to information and referral services to assist them in finding appropriate child care. Scholarship rates are determined by the geographic region, type of provider, and age of the child. A family that does not receive TCA or SSI may be required to contribute a copayment (paid directly to the provider), and any remaining balance between the actual rate charged by the provider and the voucher amount. In accordance with Chapters 525 and 526, MSDE must award scholarships in an amount sufficient to ensure that an individual will not be required to pay a copay if they participate in certain programs, such as the Supplemental Nutrition Assistance Program or the federal Housing Choice Voucher Program. Effective May 2022, MSDE also reduced copays for all other participating families to a range of \$1 to \$3 per week.

MSDE determines provider reimbursement rates based on market rate surveys of the geographic regions conducted every two years.

Under current law, MSDE is generally prohibited from making certain alterations to the CCS program. For example, it is prohibited from making the following alterations to the CCS Program in effect as of January 1, 2023: (1) reducing the reimbursement rates; (2) reducing the income eligibility requirements; or (3) implementing a freeze in program enrollment. However, MSDE may do so if (1) it submits a notification to specified committees of the General Assembly on the intended program alterations, including the reason for, and expected duration of, the proposed actions and (2) the program alterations identified in the notification are not implemented until the completion of the regular legislative session immediately following the submission of the notification. If the Board of Public Works approves budget reductions for the program pursuant to its current statutory authority for a certain fiscal year, MSDE may reduce the reimbursement rates,

reduce the income eligibility requirements, or implement a freeze in enrollment at any time during the fiscal year. MSDE is also prohibited from increasing the copayment levels of the program in effect as of January 1, 2024.

State Expenditures: Due to prior year budget shortfalls for the CCS Program, MSDE implemented an enrollment freeze to slow spending growth; a waitlist for program services was implemented beginning May 1, 2025.

Certain exemptions under the bill related to the enrollment freeze are generally not expected to have a material fiscal impact. Specifically, families receiving TCA or SSI are already exempt from the waitlist. Moreover, families can also already bypass the waitlist if a sibling is enrolled in the program. Therefore, there is no material impact from codifying these exemptions. Although MSDE advises that approximately 250 children experiencing homelessness are exempt from the waitlist changes under the bill, additional general funds are likely not needed to provide scholarships for this group of families, as the bill effectuates separate legislation (House Bill 1321) that authorizes MSDE to require higher copayments for certain households. Although copayments are paid directly to child care providers, copayments effectively reduce the State-funded portion of the costs associated with the program by requiring a family contribution.

Other operating expenses are also incurred under the bill. Specifically, the agency's CCS Administrative Tracking System and the CCS provider and family portals must be modified to comply with the bill's changes. These costs are expected to total approximately \$350,000 in fiscal 2027 only.

Small Business Effect: Private child care providers that qualify as small businesses and accept child care scholarships may benefit from the bill's waitlist exemptions, which may result in an overall increase in the number of children receiving a scholarship.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Department of Budget and Management; Department of Human Services; Department of Legislative Services

Fiscal Note History:
jg/jkb

First Reader - March 4, 2026

Third Reader - March 25, 2026

Revised - Amendment(s) - March 25, 2026

Analysis by: Eric F. Pierce

Direct Inquiries to:

(410) 946-5510

(301) 970-5510