

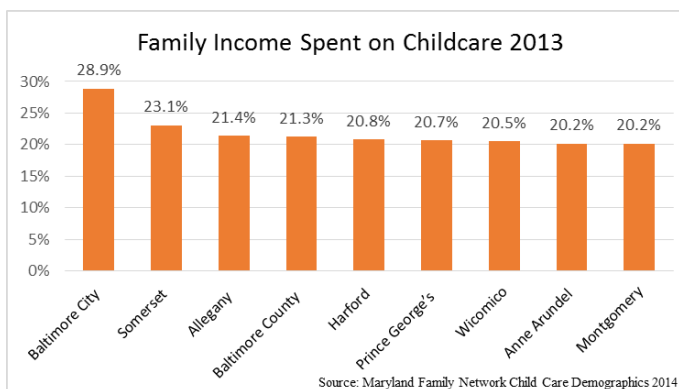


MARYLAND
FAMILY
NETWORK

Update the Child Care Subsidy to Help Families and Protect Jobs

Working parents need high-quality, affordable child care that allows them to stay on the job, and Maryland’s child care subsidy has not kept pace with growing costs. The cost of one year of child care in Maryland can exceed the cost of one year tuition at Maryland’s most expensive in-state undergraduate college¹. Maryland’s child care subsidy program is aimed at helping low-income and poor parents afford this cost. It also provides compensation to thousands of child care providers.

Administered by the Maryland State Department of Education, the program targets families with incomes below a set amount. For example, a family of three will qualify for subsidies if its income is \$29,990 or less. For a family of four, the income cutoff is \$35,702. The program has three priority levels: families receiving temporary cash assistance, families transitioning off of temporary cash assistance and all other income-eligible families. In each priority level, children with disabilities are served first.



The state sets a subsidy rate based on a survey of what child care providers charge. The rate has two components: a voucher that parents use at the provider of their choice, and a co-payment that the parents must make directly to the provider. If the provider’s charge exceeds the subsidy rate, the parents may have to pay the difference, in addition to the co-payment.

The state last adjusted the income eligibility in 2002, when it set each level at 50 percent of the state median income. However, since the median income has risen over the past decade, fewer families are eligible for the program. If Maryland updated its eligibility standards based on the 2013 median income, a family of four would be able to make up to \$52,674 and qualify for child care subsidies.

Likewise, the state last increased the subsidy rate in 2010, albeit only modestly. Costs have risen so that 90 percent of the child care programs in Maryland are out of reach for parents purchasing care with the subsidy². To ensure access to high-quality care, the federal government recommends a subsidy rate high enough for parents to afford what 75 percent of providers in a state charge.

Funding for the program comes from the federal Child Care and Development Fund and state general funds. Funding peaked in 2003. Decreased federal and state funds since then led to the program’s current inability

¹ Maryland Center on Economic Policy. “State of Working Maryland” 2013

² Maryland Family Network. “Public Policy Handbook 2014-2015”. 2014

to meet need. The funding constraints prompted MSDE to freeze child care enrollment in 2011 and begin putting families in need on waiting lists. The state purged the waiting list in 2013, requiring families to reapply for the program. The freeze continues for families with higher incomes. As of October 1, 2014, there are 2,172 children on the waiting list³.

Policy Recommendations:

Set subsidy rates at recommended current market rates. Maryland's outdated subsidy rate needs to be brought up to the federal guidelines, so that parents can afford rates charged by 75 percent of providers in the state. This will ensure children receive high-quality child care⁴ instead of making them dependent on the lowest-cost care, which may be substandard. This will also protect jobs in the childcare industry.

Update income eligibility to reflect current state median income levels. The state should update the eligibility limits to 50 percent of the current state median income levels. This would ensure that the families the program was designed to assist have access to it.

Unfreeze enrollment for all. All low-income and poor families should have access to child care if they need it. Maryland families without access to child care subsidies have a harder time finding and keeping jobs, which can hobble their long-term financial health. The freeze on enrollment also harms childcare providers, and the state's economy. Maryland should lift the freeze to encourage job growth and economic stability.

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³ Ibid.

⁴ Ramey, C. "Benefits of high-quality child care persist 30 years later". 2012. Retrieved from <http://research.vtc.vt.edu/news/2012/jan/19/benefits-high-quality-child-care-persist-30-years-/>