COMPTROLLER OF MARYLAND

STATE OF THE ECONOMY SERIES: CHILD CARE AND THE ECONOMY

DECEMBER 2024

Table of Contents

LETTER FROM THE COMPTROLLER

As a working mother of school-age children, I have experienced the constant juggle that parents face to secure safe, reliable, and affordable care for children while continuing to work outside the home. Finding child care has never been easy, especially for parents with infants and toddlers, but the pandemic increased stress to the system with the closure of tens of thousands of child care programs nationally and hundreds here in Maryland. And while the need for child care is not the only reason keeping parents with young children out of the labor force, our research for the January 2024 State of the Economy report indicated it is an important factor that warrants further exploration.

When my office produced the State of the Economy report, we heard from business leaders across the state that a top challenge they faced in growing their businesses was that employees and prospective employees had a concerning lack of child care options. The data confirmed these concerns, indicating that more than 1,000 Maryland child care programs closed during the pandemic, and that Maryland is among the most expensive states for child care in the country. As a result, child care could be one key reason for Maryland's post-pandemic depressed labor force participation rates. National peer-reviewed literature supports this hypothesis

We undertook this brief as a follow-up to our State of the Economy report to better understand Maryland's child care industry and how ongoing investments in child care can help boost the state's labor force participation—especially for mothers with young children—and our overall economic growth.

I am grateful for the partnership of the Maryland Department of Labor (MDOL) in producing this brief. MDOL provided valuable assistance in the data analysis and discussion for the Trends in Maryland's Labor Force section of the brief.

Maryland's child care system is in a unique position due to historic investments in child care scholarships and the implementation of the Blueprint for Maryland's Future, which is making significant investments in Pre-K and Community Schools. Taken together, these investments directly affect the licensed child care system. And as a result, child care is undergoing a seismic shift in Maryland that has real impacts on children, parents, providers, and communities.

To solve the challenges that confront working parents in maintaining a foothold in the labor force, policymakers and the public need to understand the shifts and changes to Maryland's child care industry.

In this brief, we report that Maryland's labor force has finally begun to rebound from the pandemic and, although women have lower rates of labor participation than men, some groups of mothers with young children have the same or greater labor force participation rates today than prior to the pandemic. We also find that while Maryland has lost hundreds of child care programs, especially those run by sole-proprietors out of their homes that serve high percentages of infants and toddlers, the total capacity—or number of available child care slots—for children under 5 is unchanged from prior to the pandemic. The available data, however, does not disaggregate changes in capacity among infants, toddlers, and 2-4 year olds, which is important information for policymakers and the public to have.

Another finding is that available data appears to indicate that the types of organizations offering child care in Maryland is shifting, with more private schools, religious institutions, and multi-service nonprofit organizations adding child care programs to existing services, compared to fewer companies operating locations in the state that solely or primarily provide child care. Finally, Maryland has experienced one of the sharpest declines in the nation in child care workers, and we continue to be among the most expensive states in the country for infant and toddler care.

The U.S. Treasury Department has called the nation's child care system a "market failure" because parents are required to pay out-of-pocket for the cost of care in order to work, but the cost of providing high-quality care is more expensive than many parents can afford. Government intervention is necessary to address market failures. As state leaders, we must do all we can to ensure that parents, especially those with young children, have affordable and accessible child care options and the opportunity to fully participate in the labor force.

Sincerely,

Brooke E. Lierman
Maryland Comptroller

LETTER FROM THE STATE SUPERINTENDENT OF SCHOOLS

Dear Marylanders:

Over the past two fiscal years under the Moore-Miller Administration, the Maryland State Department of Education's Division of Early Childhood has worked tirelessly to improve the quality, accessibility, and affordability of Maryland's early childhood education and care programs.

Through strategic investments, supportive policy changes and targeted initiatives, we are serving three key objectives: to strengthen our early childhood workforce; to expand Prekindergarten and early learning opportunities; and to ensure top quality in child care. United in our effort, we are building a brighter future for Maryland's families.

Strengthening Our Early Childhood Workforce

At the core of quality early childhood education are well-trained, highly qualified educators. Through the Child Care Career and Professional Development Fund, we support and celebrate educators' academic achievements. In FY24, 47 participants graduated, including 27 who earned associate degrees, 16 who earned bachelor's degrees, and four who earned master's degrees. In Fiscal Year 2025, the fund enrollment stands at an impressive 422 students.

We have also expanded eligibility to educators who are pursuing a Child Development Associate credential through the Early Childhood Apprentice Program at Harford Community College. Coupled with the policy changes from Maryland Code, Education § 9.5-905 to increase service commitment hours, we are working to ensure that our workforce is well-prepared, dedicated, and deeply invested in the success of our youngest learners.

Expanding Prekindergarten and Early Learning Opportunities

The Division of Early Childhood has placed a strong emphasis on expanding high-quality prekindergarten (Pre-K) opportunities to ensure that more Maryland children enter kindergarten ready to grow and thrive:

- Between School Year (SY) 2022–2023 and SY 2023–2024, we increased Pre-K seats by 1,109 statewide, including 446 new seats in private provider settings and 663 new seats in public schools.
- The number of Pre-K grantees rose from 53 in FY24 to 75 in FY25.
- The number of family child care programs participating in the Pre-K grant increased from 44 in FY24 to 58 in FY25.

With the exception of the COVID-19 pandemic period and the year immediately following, the number of Pre-K expansion grants awarded has increased each year. In FY23, 42 programs received grants. By FY24, that number had risen to 64 total grants (52 Pre-K Expansion grantees and 12 Pre-K Capacity Building grantees).

In SY 2020–2021, there were 23,609 half-day and full-day slots across local education agencies. By SY 2023–2024, that number grew to 31,378—an increase of 7,769 seats.

To strengthen and expand Maryland's mixed-delivery system—a network of diverse providers including public schools, child care centers, family child care homes, and community-based organizations—MSDE launched the "Push to Pre-K" initiative to enhance provider capacity, guide applicants through the State Pre-K Grant process, and foster more inclusive early childhood programs. "Push to Pre-K" offers targeted

informational and technical assistance sessions that break down the Pre-K application process into clear, achievable steps. The program also provides ongoing support beyond the initial trainings and ensures that a wide range of child care providers—including family child care homes, child care centers, Head Start programs, nonpublic schools, Spanish-speaking providers, and faith-based programs—are equipped to deliver high-quality prekindergarten and school readiness services.

Ensuring Affordability and Quality Through the Child Care Scholarship Program

Financial accessibility and quality remain paramount for Maryland families. The Child Care Scholarship (CCS) Program has been a cornerstone in supporting parents and guardians who need reliable, high-quality child care at little to no cost so they can work, attend school, or participate in career-advancing training programs.

Backed by the Moore-Miller Administration's unprecedented $605 million investment over two fiscal years, the CCS's reach continues to expand. Between January and November 2024, the program supported care for 54,492 unique children—28,000 more than in 2020—and enrollment rose 27% in the last year alone. By ensuring affordability, increasing transparency, and tying financial support to quality standards, DEC's approach to the CCS Program empowers families to choose excellent care and fosters better outcomes for Maryland's youngest learners.

Any child care program serving CCS-enrolled children must participate in Maryland EXCELS, the state's quality rating and improvement system. Maryland EXCELS currently includes 70% of eligible licensed child care providers—far exceeding national averages. In fact, 83% of Maryland's child care centers and 62% of its family child care homes participate in Maryland EXCELS, compared to typical national participation rates of 58% and 48%, respectively. The EXCELS five-level rating scale offers families a clear, at-a-glance view of program quality, ensuring they can make informed decisions that meet their children's needs.

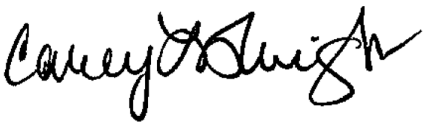
The Division of Early Childhood has also introduced significant improvements in the CCS application process to streamline access to the program. On July 1, 2023, the Division implemented a fast-track application not only to grant families temporary eligibility within three business days, but also to provide 60 days of temporary support and a path to a full 52-week scholarship. Previously, families often waited up to 35 days for a decision. Additionally, the launch of the online Family Portal in February 2023 replaced a cumbersome, paper-based system with a user-friendly one-stop platform. Families can now easily submit applications, upload documents, and receive automatic notifications about next steps—reducing confusion and improving efficiency.

Child care providers also benefit from enhanced digital tools. As of November 2023, the Child Care Provider Portal streamlines scholarship-related payments and communications, ensuring timely reimbursements and greater transparency. With these improvements, more than half of all licensed child care providers now participate in the Child Care Scholarship program, which creates more affordable and available child care seats for working families with infants, toddlers, Pre-K, and school-age children.

The positive outcomes and progress outlined above reflect the Moore-Miller Administration's commitment to supporting early educators, enhancing program quality, and removing financial barriers for families. Our efforts demonstrate that high-quality early childhood programs can grow and excel with strategic investments, robust professional development, and a focus on continuous improvement.

I am pleased to share the significant strides and remarkable accomplishments that the Maryland State Department of Education has achieved as a complement to the Comptroller's Report.

Carey M. Wright, Ed.D.



State Superintendent of Schools

Executive Summary

Since February 2020, Maryland's Labor Force Participation Rate (LPR), a measure of people working or looking for work, has fallen more than in any other state, contributing to sluggish economic growth. While there have been recent gains (Maryland's growth ranks 13th between January 2023 and October 2024), Maryland's LPR remains 3.8 percentage points below pre-pandemic levels. Multiple factors contribute to this decline, but this brief focuses on the labor decline for women with young children in Maryland – a group that is particularly important to labor supply because they make up a significant share of the working-age population and tend to work in sectors where there are shortages.[1]

As illustrated in Figure 1, prime-age women with only young children under 6 years old have an LPR of 80.8%, which is 5.6 percentage points below that of similarly aged women without children. This gap is even wider for married women with only young children. The difference between the LPR for men versus women 25-45 with children under 6 is also meaningful: 80.8% for mothers and 96% for fathers – a gap of 15.2 percentage points.

Figure 1: Gap in LPR for Women Aged 25-45 with No Children Compared to Women with Only Children Aged 0-5 in Maryland, 2023

Year	Women, No Children	Mothers with Only Children Aged 0-5	Married Mothers with Only Children Aged 0-5
2023	86.4%	80.8%	78.8%

Source: US Census and IPUMS data

Research shows that high quality child care not only results in positive development for children but also increases labor force participation for parents of young children, especially mothers. Increasing child care access in Maryland can help reduce declines in Maryland's LPR.

The Maryland State Department of Education (MSDE) is responsible for overseeing and administering licensing and credentialing for most child care providers in the state. Figure 2 presents trends in child care programs licensed by MSDE from February 2020 (the last full month before the pandemic) to October 2024. During this timeframe, Maryland has seen a 15.5% decline in the number of licensed child care providers and a 5.5% decline in overall capacity (the number of licensed slots for children).

Figure 2: Change in Licensed Child Care Providers and Capacity in Maryland by Provider Type, February 2020-October 2024

	Total Number of Child Care Providers	Total Licensed Capacity
February 2020	7,984	219,221
October 2024	6,749	207,056
# Change	-1,235	-12,165
% Change	-15.5%	-5.5%

Source: Maryland State Department of Education Licensing Data (publicly available)
Note: MSDE oversees and administers licensing / credentialing for most child care providers in the state. In addition to family and center-based programs for children under 5, this includes before and after school programs for children up to age 13, and up to age 21 for medically-fragile children.

A summary of key findings from this brief, some of which are national trends and some of which are unique to Maryland, is listed below (note, full citations for the findings are included in the body of the brief):

Labor Force Participation

- Women in the age group of 25-45 now have a higher LPR than prior to the pandemic, with single moms with children only under 6 years old seeing large gains. However, women with only young children still lag behind women without children, and far behind men with young children in LPR.

Programs and Capacity

- There has been a steady and sustained decline in family care providers in Maryland, which likely affects infants the most, as well as toddlers. While overall capacity, or slots, for children under 5 years old is unchanged from 2020 to 2024, it is unclear if there have been variations in capacity among the three age groups under 5: infants (0-18 months), toddlers (18-24 months), and pre-schoolers (2-4 years old).
- State policy, including the Blueprint for Maryland's Future is driving shifts in the provision of care for 3 and 4 year olds (who are now eligible for state-funded Pre-K) and children 5 and older enrolled in before and after school programs in Maryland.
- The types of businesses operating child care centers appears to be shifting with an apparent increase in child care centers within schools or nonprofit organizations amidst a decline in businesses operating one or more locations that solely or primarily provide child care.

Child Care Workers

- Wages are low and benefits are rarely offered.
- Significantly more experience and training are required to become a licensed child care worker than other similarly paid positions in sectors such as retail, hospitality, and warehousing.
- In Maryland, where there are more job openings per job seeker than in surrounding states and the U.S., there are more alternative jobs and career paths for prospective child care workers to pursue.

Costs

- The cost of child care is high in Maryland relative to other states, but the expanded Child Care Scholarship Program is helping address affordability.
- A key driver of cost is teacher-to-child ratio, which is lower for infants in Maryland than other states.
- Child care prices are high in large part because provider costs are high. Child care providers operate on tight profit margins, usually less than 1%.

Economic Impacts of Child Care

- National research establishes a clear link between increased access to quality, affordable child care and increased LPR. Access to child care is also associated with improved productivity, increased state revenues, and greater economic security and earnings potential for women. Investments in Maryland's child care industry are essential to equitably growing Maryland's economy and keeping Maryland competitive, not to mention the educational and social benefits that children can receive from high quality care early in life.

Incomplete Data for State Comparisons

- A final and important finding in this brief is that there are data limitations related to child care capacity and providers. Specifically, there is: 1) no data for enrollment in child care providers, 2) limited data for capacity by different age groups under 5 years old, and 3) incomplete data on the different types of center providers. Taken together, these data gaps limit the ability to fully understand trends in Maryland's child care system. These limitations are noted throughout the brief.

Section 1. Introduction

Maryland's labor force participation rate (LPR)—the percent of the population that is employed or actively looking for work—fell significantly during the pandemic. Maryland started from a very strong position, pre-pandemic, with the 4th highest LPR in the nation, but dropped to 14th over three years**. In October 2024, Maryland's LPR remained 3.8 percentage points below February 2020 levels—the largest drop of any state in the nation during that timeframe**.[2]

Although Maryland's LPR remains high, a drop in the rate can have significant consequences on Maryland's economy. For example, fewer workers looking for work makes it harder for businesses to expand or open. Fewer workers engaged in the workforce can lead to lower household incomes and lower state tax revenues, which results in fewer resources for the state budget to fund key services and priorities.

There are numerous reasons for the decrease in Maryland's LPR. Some are related to demographic and industry shifts, including an aging population and skill mismatches between industries that have lost jobs and industries where demand is higher. Others involve forces that make it difficult for individuals to stay in or rejoin the workforce, such as increased challenges caring for young children and aging parents, or lack of access to transportation.

Addressing the barriers that keep Marylanders from engaging with the job market is critical for economic growth. There is no "one size fits all" solution to increasing the number of Marylanders in the workforce, and each contributing factor requires different approaches.

This brief examines the role of child care in Maryland's labor force and economy. **Research indicates that access to affordable child care can help increase women's labor force participation.** Balancing the dual demands of work and family can be difficult for many families, and women are more likely to spend time away from the labor force as a result of caregiving responsibilities, though other caregiver groups are also impacted, including fathers, grandparents, and legal guardians. **Increasing accessibility and affordability of child care in Maryland is one key pathway to continue growing the state's labor force and economy.**

The Moore-Miller administration has increased funding for the State's Child Care Scholarship program to make child care affordable and accessible to more working families. Over the past two fiscal years, the administration has invested an unprecedented $605 million in the program. For calendar year 2024 (through November), the scholarship program supported just over 54,000 unique children and approximately 36,000 families.[3] Last summer, the Board of Public Works—led by Governor Wes Moore, Comptroller Brooke Lierman, and Treasurer Dereck Davis—approved funding cuts that ensured there was room in the state budget for these recent increases in child care scholarships.[4]

This brief helps to contextualize how actions like these can expand child care in Maryland and provide more opportunities for Marylanders to re-enter the labor force.

This brief primarily presents state-level data on licensed child care and, due to data limitations, does not fully capture alternative or informal child care arrangements like family member care or care provided by unlicensed babysitters or nannies that many families rely on. Quantitative data is supplemented

with information from roundtable discussions and interviews with a range of stakeholders including: child care providers, child care workers, nonprofit associations and advocates, parents, chambers of commerce, employers, and economists, as well as state and local government officials. This qualitative data is primarily presented throughout the brief in two places. First, the "Policy Context" boxes highlight policies and programs that family- and center-based child care providers noted as impacting their sustainability and ability to succeed as small businesses. Second, examples are incorporated into the brief to present anecdotes shared by parents and child care providers.

The remainder of this brief is structured as follows:

- Section 2 reviews national research on the connection between increasing access to child care and labor force and employment outcomes. The section also explores the difference in LPRs for parents of young children, especially mothers, to those without children in Maryland.
- Section 3 explores trends in Maryland's child care industry, including programs and capacity, the workforce, and costs.
- Section 4 highlights the economic benefits associated with increasing child care access in Maryland, including increased labor force participation, state income tax revenue, productivity, and economic security.
- Section 5 concludes the brief by outlining implications of the data and findings.

Section 2. Trends in Maryland's Labor Force

At present, there are no causal studies that definitively identify why Maryland's LPR has fallen for different demographic groups. However, national research does show that one way to increase the LPR for working parents, especially mothers, is by ensuring access to high-quality, affordable child care:

- Nationally, among parents who are not working full time, 3 in 5 say that they would choose to do so if they had access to affordable child care.[5]
- A 2017 meta-analysis estimated that "a 10% reduction in the price of child care would lead to a 0.25–11% increase in maternal employment, likely near 0.5–2.5%."[6]
- A 2016 report by the Urban Institute for the Department of Health and Human Services concluded that "higher child care subsidy expenditures significantly increase labor force participation and employment rates of low-income mothers in the United States."[7]
- A 2021 working paper from the U.S. Census concluded that "child care subsidies increase the likelihood that working married mothers remain in the labor force and decrease wage differences with their spouses."[8]
- A 2024 analysis of the 2023 Survey of Household Economics and Decision making by the Board of Governors of the Federal Reserve System found that "nearly 4 in 10 prime-age mothers who were not working for pay said that childcare responsibilities contributed to that choice.[9]

Research primarily focuses on the impacts of child care on women's labor force participation because roughly four in five stay-at-home parents nationally are women.[10] In 2023, data from the U.S. Census Bureau suggest that 85% of Maryland parents who were not in the labor force and who only had children aged 5 and younger in the home were women.[11]

Increasing access to quality, affordable child care can help increase LPR. In Maryland the LPR for mothers is lower than that of non-parents. In 2023, 80.8% of Maryland women between the ages of 25 and 45 with only children aged 5 or younger at home were in the labor force.[12] In contrast, the LPR for Maryland women of the same ages but without any children was 86.4%. In other words, the **LPR for Maryland women between the ages of 25 and 45 is 5.6 percentage points lower for those with only young children at home**.

Figure 3: Trends in LPR For Select Demographic Groups for Maryland Residents Aged 25-45, 2019-2023

Demographic Group For Those Aged 25-45	2019 LPR	2022 LPR	2023 LPR	2019 to 2023 Change in LPR
All Women	83.2%	83%	83.8%	0.7%
All Men	89.7%	91.1%	90.3%	0.6%
Women with No Children	86.9%	87.4%	86.4%	-0.5%
Men with No Children	85.2%	87.3%	86.3%	1.1%
Mothers with Only Children Aged 0-5	79.6%	78.5%	80.8%	1.2%
Fathers with Only Children Aged 0-5	95.90%	95.50%	96.00%	0.1%
Married Mothers with Only Children Aged 0-5	79.3%	75.9%	78.8%	-0.5%
Married Fathers with Only Children Aged 0-5	95.8%	95.8%	95.9%	0.1%
Single Mothers with Only Children Aged 0-5	81%	85.3%	86.5%	5.5%
Single Fathers with Only Children Aged 0-5	96.1%	94.5%	96.9%	0.8%

Source: U.S. Census and IPUMS data

As Figure 3 above illustrates, labor force participation rates have trended differently in Maryland from the year prior to the pandemic to 2023, depending on parental status. For example, between 2019 and 2023, the LPR for all Maryland women between the ages of 25 and 44 rose by an estimated 0.7 percentage points.[13] This is a **positive trend** from earlier in the pandemic recovery in 2021 and 2022 when women's LPR in this age group was still below pre-pandemic levels.[14]

Over the same timeframe, the LPR for mothers of only young children rose by 1.2 percentage points—a greater increase. This increase varies depending on the marital status of the parent: the LPR for married mothers of only young children in Maryland has fallen by 0.5 percentage points between 2019 and 2023 while it has risen by 5.5 percentage points for single mothers. Similarly, single fathers of only young children saw a larger increase in their LPR (0.8 percentage points) than married men with only young children did (0.1 percentage points). **Overall, the LPR for women between the ages of 25 and 45 with only young children still lags far behind men's LPR with only young children, by 15.2 percentage points.**

Increasing child care access is a strategy that can increase the LPR for fathers as well. In 1989, only 4% of men who stayed home with their children cited caregiving as their primary reason. The top reasons included illness or disability, inability to find work, and retirement.[15] By 2021 this number had climbed to 21%.

Access to affordable child care can also reduce demands on grandparents to provide care. This can in turn lead to an increase in labor force participation for older Marylanders. For example, one study on the employment impacts of grandparents performing child care services found evidence that grandparents frequently retire early or transition from full-time to part-time work to better care for their grandchildren.[16] Nationally, grandparents make up a significant portion of the informal child care market. According to recent data from the U.S. Census Bureau, "roughly 32.7% of grandparents living with their grandchildren under the age of 18 were responsible for their care."[17] Other data from the U.S. Census Bureau suggests that "nearly one quarter of children under [5] years old are in the care of their grandparents for some period of time every week."[18]

While many parents stay home to take care of children by choice, continuing to build a robust child care ecosystem in Maryland will allow parents to make this choice based on their own values and not solely due to financial pressures.

Child Care Data Disclaimers

Data limitations and caveats affect the ability to draw definitive conclusions from some of the findings in this brief, noted below.

(1) Limits to State Data

MSDE does not collect statewide enrollment data and capacity data (which is collected) is based on licensed **capacity per provider,** not number of children **enrolled or utilizing child care. Capacity is not a proxy of enrollment.** The number of children enrolled can change weekly based on parents' decisions and providers' employment levels. Tracking enrollment in relation to capacity would provide a more complete picture of whether there is enough supply to meet demand. Other demand indicators, such as wait lists, do not serve as an appropriate measure of demand as parents can place a child on multiple waitlists. A **supply and demand study** is one of the few ways to analyze unmet need for child care. A statewide supply and demand study is currently underway and anticipated to be released in summer 2025. (Several counties have completed supply and demand studies.)[19]

In addition, MSDE licensing data for capacity is not disaggregated for the three under 5 years old age groups: infants (0-18 months), toddlers (18-24 months), and 2-4 year olds.

(2) Rapid Changes to Pre-K and School-Age Programs in Maryland

Maryland's early childhood education system is currently undergoing significant changes that result in caveats for licensed child care data. Two components of the Blueprint for Maryland's Future have a particularly significant impact on the child care system: 1) universal Pre-K will eventually be available to every child ages 3 to 5 in Maryland; and 2) investments in Community Schools are increasing and more are offering before and after school programs. Public school Pre-K and community school before and after slots are not counted in licensed child care system datasets.

(3) Incomplete Data for State Comparisons

There are limitations to government datasets that provide comparisons of child care providers and capacity by state.* Furthermore, because Maryland's early childhood education system is undergoing unprecedented changes, it is misleading to compare Maryland's child care capacity to other states since capacity is shifting in some cases to Pre-K public school and Community School before and after care programs.

A final caveat is that longitudinal child care data is presented in this brief in two forms: annualized data and monthly data. Annualized data is generally more reliable due to swings in month-to-month data. However, monthly data provides a more timely snapshot of pre-pandemic and post-pandemic trends. Monthly data is also publicly available and posted online by MSDE.

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* For example, the U.S. Department of Health and Human Services recently published a report comparing trends in child care programs and workers by state since the pandemic, which utilized federal data on child care establishments that excludes child care providers without employees or those embedded within other organizations, like schools or religious institutions. Another report by Child Care Aware includes data for only 35 states, and sources data from each state's Child Care Resource and Referral agency, which track key indicators differently. Therefore, state comparisons are imprecise. For example, Virginia defines an infant as birth to 16 months, while Maryland defines an infant as birth to 18 months.

Section 3. Trends in Maryland's Child Care Industry

There are four metrics of the child care system that are analyzed in this section, with a focus on how each has changed in Maryland over time and especially pre-pandemic to today: programs, capacity, workers, and costs. Other key metrics – such as enrollment or utilization – are not included due to data limitations; see disclaimers section.

The most important publicly available metric for measuring the state of the child care industry is **capacity**, which is the number of licensed slots for children in the state. Slots are associated with a specific provider and are designated for children of a specific age group (infants [0-18 months], toddlers [18-24 months], pre-school-aged [2-4 years], or school-aged [5+]). If parents are to enroll their child in care there must be a spot available in the first place.

Capacity is determined by (1) the **number and type of child care providers** (each provider is licensed to serve a certain number of children of certain ages); and (2) the **number of child care workers**, as employment levels affect individual providers' ability to operate at their full licensed capacity. (Floor space and/or outdoor space that is available, and applicable building and fire codes also impact capacity).[20] The **cost** of licensed child care, to parents as tuition and to providers as expenses, is another critical measure of the system.

MSDE's publicly available licensing data captures **providers that offer services for children under age 5 *and* providers that offer before and after school care for children ages 5-13** (and up to age 21 for medically-fragile children). This brief is most interested in children under 5 because of the gap in LPR between women without children and mothers of children 0-5. While before and after school programs may help working parents increase their hours (and earning capacity) from part-time to full-time, programs for children under 5 are critical for allowing parents to enter the labor force in the first place. However, trends in programs and capacity for all age groups have an impact on the overall child care market since the same providers often serve children under 5 and school age children.

3.1 Trends in Child Care Programs and Capacity

Key Findings:
(1) There has been a steady and sustained decline in family care providers in Maryland, which affects some age groups more than others.
(2) State policy is driving shifts in care for children ages 3 and older.
(3) There appears to be an emerging shift in the types of businesses operating child care centers.

There are two main types of licensed care providers in Maryland:

A. **Family Child Care Providers** are individuals or businesses that offer care in their own home to one or more children not related to them. The maximum capacity for a family care provider is 8 or 12 children (for large family providers only).[21] As of October 2024, there are **4,118 family care** providers in the state. Collectively, they are licensed to serve **32,271** children.[22] See Figures 4 and 5.

B. Child Care Centers are operated by individuals or organizations in a regulated facility.[23] As of October 2024, there were **2,631 child care centers** licensed by MSDE in the state. Collectively, they are licensed to serve **174,374 children**.[24] See Figures 4 and 5. The federal government also operates child care centers under the Head Start Program – there are currently 110 Head Start programs in Maryland.[25] These programs are not licensed by MSDE and therefore not included in the 2,631 figure or capacity data.

Figure 4: Child Care Providers by Type

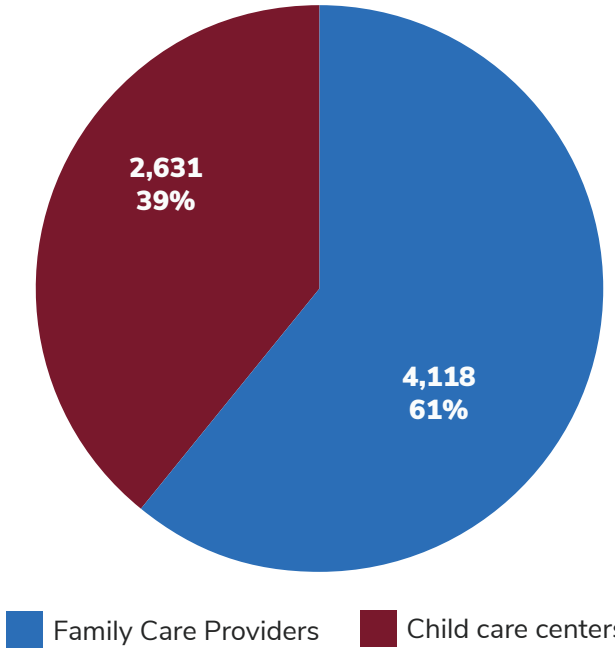
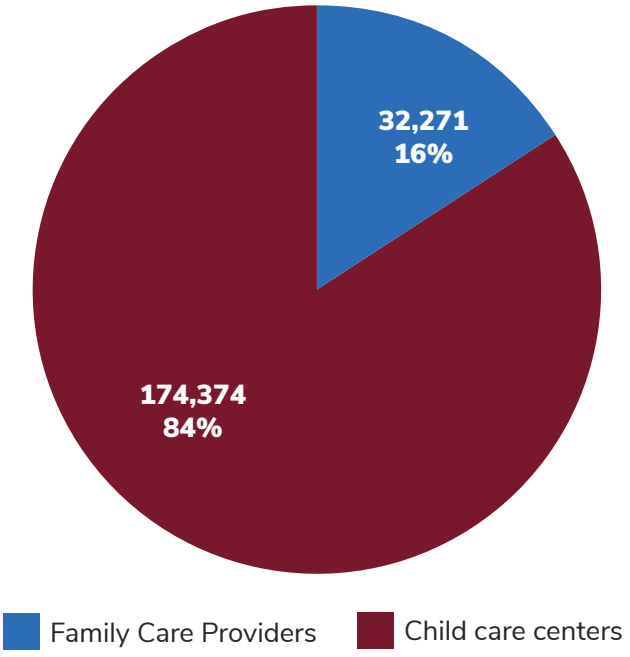


Figure 5: Child Care Capacity by Provider Type

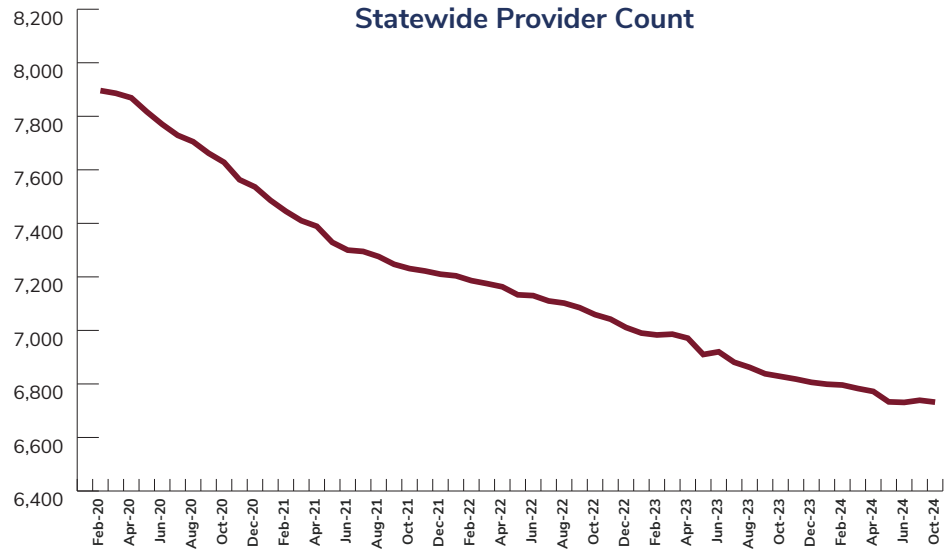


Source: MSDE, Office of Child Care – publicly available licensing data

Most child care providers in the U.S. are small businesses working on tight profit margins that struggle to recruit and retain staff, maintain their physical space, and manage complicated budgets, all while working to provide high quality care. These are long-term challenges that were compounded by pandemic-era factors and economic shocks. During roundtable discussions facilitated for this brief, child care providers cited the following as key challenges since the onset of the pandemic: inflation; the great resignation; health concerns (especially for providers caring for children in their own home); and additional policies and regulations associated with the pandemic, which were inconsistent and varied depending on the county and provider type/ size. Pandemic-related financial support certainly helped, but that resource providers came to rely on in recent years is now gone.

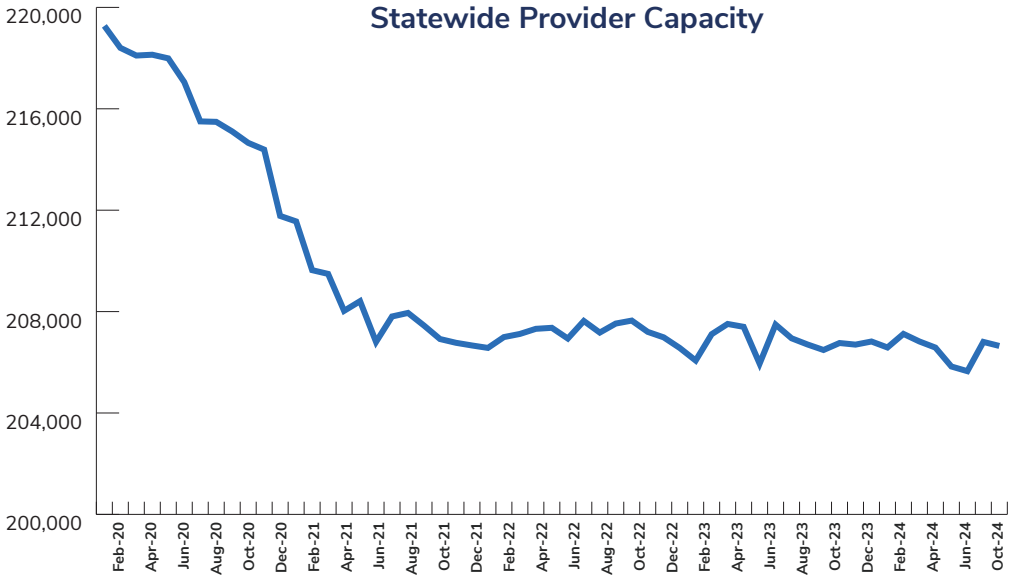
According to MSDE's licensing data, in the years leading up to the pandemic, child care capacity was relatively stable: between January 2017 and February 2020, total licensed childcare capacity declined by 1%. However, **over the past five years, as Figure 6 shows, the total number of licensed child care providers in Maryland has decreased steadily – falling by 15.5% (or 1,235 providers). Accordingly, as Figure 7 shows, total licensed child care capacity in Maryland fell by 5.5% (or 12,165 slots).** Some of this decline in capacity reflects an actual net loss of slots for children, and some is a shift to different types of care not licensed by MSDE (discussed below).

Figure 6: Total Licensed Child Care Providers in Maryland, February 2020–October 2024



Source: MSDE, Office of Child Care – publicly available licensing data
Note: Child care closures and decreased capacity is a trend statewide, though some areas have been more severely impacted than others. For information on regional trends, see the Appendix.

Figure 7: Total Licensed Child Care Capacity in Maryland, February 2020–October 2024



Source: MSDE, Office of Child Care – publicly available licensing data

The decline in total statewide capacity (5.5%) since the onset of the pandemic has been less severe than the decline in number of licensed providers statewide (15.5%) because child care closures have been concentrated among family care providers, which care for far fewer children compared to child care centers.

FINDING 1: Steady decline in family care providers

There has been a steady and sustained decline in family care providers in Maryland. As Figure 8 shows, between February 2020 and October 2024, **there was a net loss of 1,135 registered family providers (a decline of 21.6%), compared to a net loss of 100 child care centers (a decline of 3.7%) in Maryland**. The decline in family centers nationally (and in Maryland) started before the pandemic: between 2005 and 2017, the number of family child care providers in the U.S. declined by roughly half.[26]

Figure 8: Change in Licensed Child Care Providers and Capacity in Maryland by Provider Type, February 2020-October 2024

	Number of Family Care Providers	Number of Child Care Centers	Capacity in Family Care Providers	Capacity in Child Care Centers
February 2020	5,253	2,731	40,803	178,418
October 2024	4,118	2,631	32,342	174,714
# Change	-1,135	-100	-8,461	-3,704
% Change	-21.6%	-3.7%	-20.7%	-2.1%

Source: MSDE, Office of Child Care – publicly available licensing data

Family care closures and the associated shift towards center-based care has a meaningful impact on Maryland households. **From an equity perspective, family care providers tend to be more affordable and are a critical resource for lower- and middle-income residents.** These providers also tend to offer more flexible hours, accommodating parents who work non-traditional hours, such as nurses and first-responders. Fewer family care options shrinks the geographic spread of care since these providers are based in homes in residential areas, significantly impacting households with limited transportation options.

Declines in both family and center providers contribute to declines in capacity: a 20.7% drop in slots provided by family care programs and a 2.1% drop in slots provided by child care centers. A key trend in the overall capacity decline is that it is not evenly distributed among age groups. In fact, the decline in overall capacity is entirely limited to slots for school-age children. According to MSDE data, capacity for children under the age of 5 (the group this brief is most focused on) is unchanged from fiscal year 2020, when the pandemic hit. See Figure 9.

Figure 9: Licensed Capacity for Children Under 5 by State Fiscal Year (SFY)

	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024
Total	135,760	135,779	134,698	135,647	135,800

Source: Maryland State Department of Education
Note: The State Fiscal Year (SFY) runs from July to June

Due to data limitations, it is not possible to disaggregate and compare changes in capacity for the three, distinct under 5 age groups: infants (0-18 months), toddlers (18-24 months), and 2 to 4-year-olds.[27] However, there is likely variation by age group under 5, with some level of declines in infant and toddler slots being offset by an increase in slots for 2-4 year olds. This hypothesis is informed by two trends: 1) There has been an increase in slots for 2-4 year olds as child care centers have increased capacity for this age group - some of which is attributable to Pre-K expansion (for 3 and 4 year olds) associated with the Blueprint for Maryland's future; and 2) Infants and toddlers are far more likely than 2-4 year olds to be served by family care providers, which have been on the decline. Although centers have also increased capacity for infants and toddlers (albeit at smaller amounts than 2-4 year olds) it is unlikely that these increases have outpaced losses in family care slots.[28]

If this hypothesis is true, parents have increasingly fewer options for enrolling younger children in child care and returning to (or entering) the labor force. It should be emphasized, however, that complete data is not available to fully support this conclusion due to limitations in the way that capacity is calculated for family care providers serving infants and toddlers. Access to such data is essential for understanding important trends in capacity changes for the under age 5 sub-groups.

FINDING 2: Shifts in care for children ages 3 and older

State policy, including the Blueprint for Maryland's Future (implemented beginning in 2022) and associated regulations, is driving shifts in the provision of care **for 3 and 4 year olds** (who are now eligible for state-funded Pre-K) and **children 5 and older** enrolled in before and after school programs in Maryland.

Pillar One of the Blueprint creates universal Pre-K across the state and requires that it be provided through a mixed delivery model, which means that Pre-K must be provided by both public and private providers.[29] (Statute requires that at least 10% of total Pre-K slots in each county be provided by eligible private providers; revised down from 50% in the initial legislation associated with the Blueprint for Maryland's Future).[30]

Public providers are local education agencies. Private providers include child care centers, family child care homes, Head Start programs, Montessori programs, faith-based programs, and private schools, all of which must apply for a Pre-K Expansion Grant. **The goal of mixed delivery is to (1) ensure that families have Pre-K options that meet their needs and (2) that child care providers can continue (or begin to) serve 3 and 4 year-olds alongside of public schools.**[31] **Mixed delivery supports child care providers' financial sustainability** – infant and toddler slots are the most expensive to provide, so being able to offset costs with slots for older children is important (discussed further in section 3.3 on costs).

Since the Blueprint was implemented in 2022, slots for the 2-4 year old age group are up slightly as private providers start to offer Pre-K slots to 3 and 4 year olds. Private Pre-K seats increased from 1,155 in the 2022 – 2023 school year to 1,601 this year.[32] Ensuring that child care providers can reasonably meet the requirements to receive Pre-K expansion grants is crucial to the success of mixed delivery, and the viability of child care centers in the long run. The General Assembly adjusted regulations last year to address some of the challenges cited by the child care community, including the bachelor's degree requirement for lead teachers. Staffing has been a key headwind for providers especially over the past five years (discussed further in section 3.2 on the workforce).

Pillar Four of the Blueprint increases funding for Community Schools – a term for public schools that serve a high percentage of children living below the federal poverty line. These schools are unique in that they provide wraparound services for students and families based on their needs.[33] A new funding formula associated with the Blueprint has helped Community Schools expand, and many now offer before and after school programs. Since 2020, the number of Community Schools has grown from 193 to 621, with 299 offering before and after school programs.[34]

At the same time, MSDE data reveals that between February 2020 and October 2024, licensed care capacity for children 5 and older (those in before and after school programs) has dropped by 11.4% – more than any other age group. There are important nuances to this data. Before and after school programs that are custodial in nature are licensed by MSDE, while those centered around tutoring, sports programs, or other classes are not. Importantly, programs operated by Community Schools are also **not** licensed by MSDE. **The reduction in licensed slots for this age group may reflect a changing marketplace where more before and after school is provided by alternative programs not licensed by MSDE (like Community Schools) instead of child care providers licensed by MSDE.** The rest of the decline in slots for children 5 and older is unexplained and is being seen across both centers and family care providers. The decline in these slots impacts families and providers. For families, it means fewer children can enroll in after school programs and fewer parents can shift from part-time to full-time work. For providers, the financial viability of programs (licensed by MSDE) could be compromised if they are losing children in this age group (5+) to other organizations (not licensed by MSDE). The business model relies on a certain level of enrollment of older children.

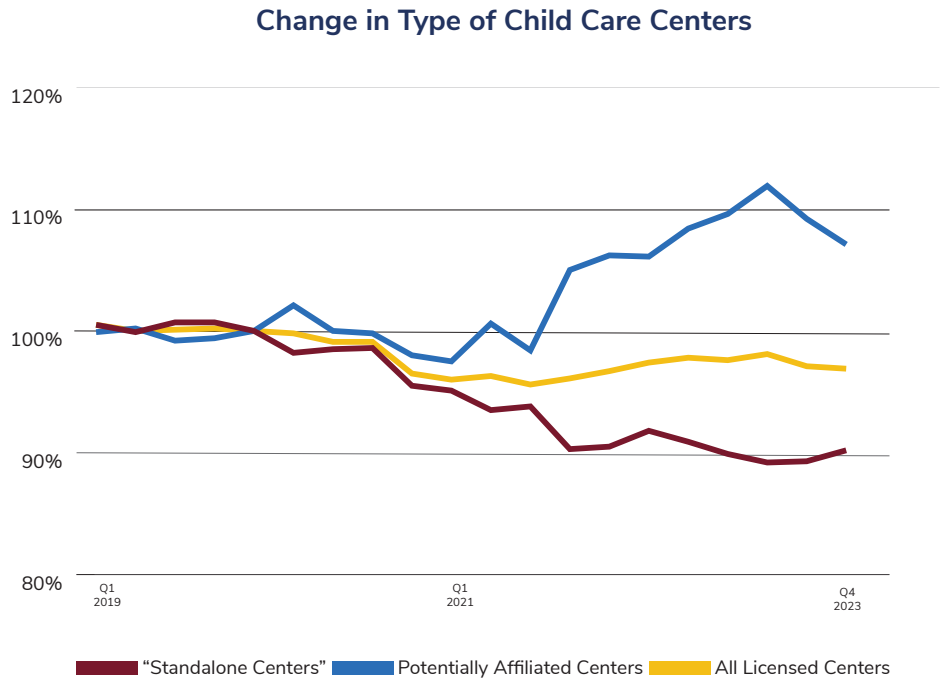
FINDING 3: Shift in types of businesses operating child care centers

Another emerging trend in Maryland's child care landscape is that the types of businesses operating child care **centers** appears to be shifting. **Over the past five years, available data indicates there has been an overall decrease in the number of child care centers offered by businesses that solely or primarily provide child care services "standalone" centers and an increase in the number of child care centers operating within a larger organization**, such as a school, religious institution, or multi-service nonprofit organization.

Figure 10 shows that the number of child care centers affiliated with and operated by a larger organization (blue line) has grown beyond pre-pandemic levels, while the number of "standalone" child care centers has been on the decline (red line). The U.S. Department of Health and Human Services recently published a state-by-state analysis of "standalone" child care providers, as determined by industry classification, which revealed that Maryland had the most significant percent decline in standalone center providers of any state during the pandemic recovery, between Q1 2020 to Q4 2022.[35]

While this apparent shift in providers has not had a noticeable impact on overall capacity, the **specific reasons driving this shift may have important implications relating to access, cost, and strategies for ultimately increasing overall child care capacity in Maryland and warrant further exploration beyond the scope of this brief**. There may be relative economies of scale among these larger, multi-service organizations (i.e., accounting or human resources) compared to businesses that exclusively operate child care.

Figure 10: Total Number of Licensed Child Care Centers, "Standalone" Child Care Centers, and Potentially Affiliated Child Care Centers as a Percent of Q1 2020 Levels, Q1 2019-Q4 2023



Source: Maryland State Department of Education data and BLS QCEW data

Note: Establishments that primarily provide child care sourced from QCEW data (NAICS 6244). Licensed child care center data is a quarterly average of the number of providers from MSDE. The number of "potentially affiliated" child care centers is the difference between total licensed providers from MSDE and centers that primarily provide child care from BLS. Data is indexed to Q1 2020 levels.

Maryland Policy Context

Working to Increase the Number of Child Care Providers, with a Focus on Family Care

A 2024 study by Child Care Trends for MSDE on family child care providers identified several reasons that family child care providers gave for leaving the industry, including: low income or unstable income; long hours or work-life imbalance; burnout; and feeling unsupported or unappreciated.[36] Maryland is working to increase the number of child care providers – especially family care providers – across the state and help existing providers stay in business by addressing these issues.

One of the longest-standing initiatives are Child Care Resource Centers (CCRCs). There are eight across the state, supported by MSDE and operated through public-private partnership with local nonprofit organizations. CCRCs aim to strengthen the child care delivery system in Maryland through training and technical assistance to providers and navigation assistance for parents.[37]

More recent efforts include:

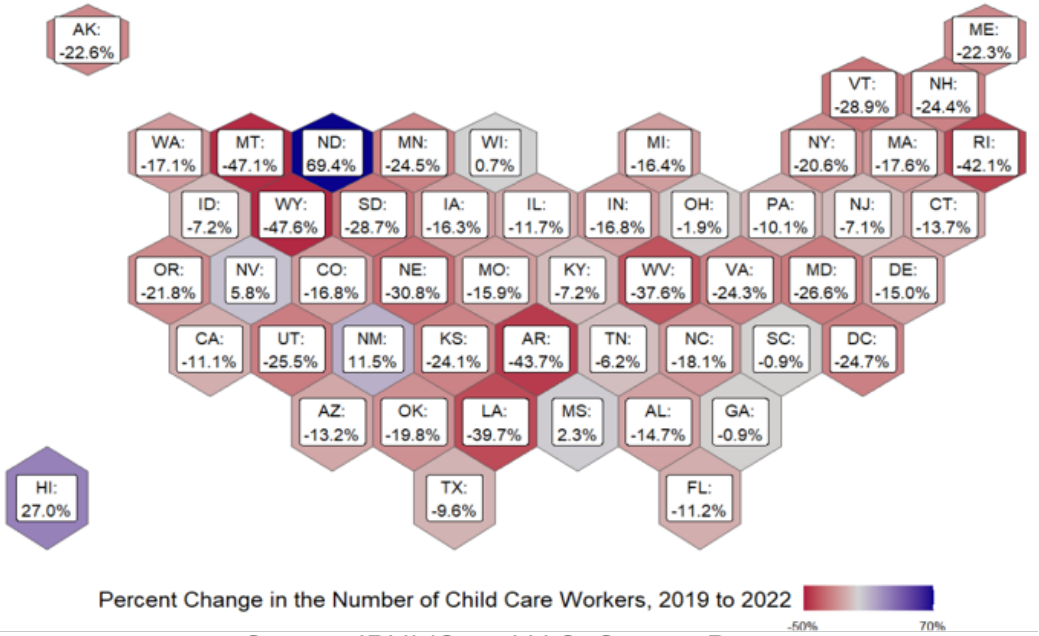
- The Growing Opportunities for Family Child Care (GOFCC) program: Started in Montgomery County and expanded statewide by the legislature in 2021, GOFCC provides intense and targeted training, coaching, and resources to support at no cost to individuals interested in opening a family child care program – guiding them through the licensing process and business operations. The program is operated by Maryland Family Network through grants from MSDE. During the past two years (September 2022 – August 2024), the program helped 159 family care providers get licensed, creating 1,078 slots for children.[38]
- The Maryland Child Care Boost Program, also established in 2021, was designed to help family care providers improve financial sustainability, streamline administrative tasks by learning to use a child care management system, and increase access to business and pedagogical expertise. Professional development opportunities included training on marketing, contracts, risk management, record keeping, budgeting, setting tuition, taxes, human resources, and more. The program was discontinued in 2023 with the end of ARPA funding.[39]
- In November 2023, state regulations were modified to allow Marylanders with an Individual Tax Identification Number (commonly held by undocumented immigrants) – in lieu a Social Security Number – to become licensed child care providers, expanding the pool of potential providers.[40]

3.2 Trends in Child Care Workers

Key Findings:
(1) Wages are low and benefits are rarely offered.
(2) Significantly more experience and training are required to become a licensed child care worker than other similarly paid positions.
(3) In Maryland, there are more alternative jobs and career paths for prospective child care workers to pursue.

During the first two months of the pandemic more than 360,000 child care workers lost their jobs nationwide as providers temporarily or permanently closed and many parents opted to keep young children at home.[41] **Since this initial fall off at the beginning of the pandemic, attracting and retaining child care workers has become a significant challenge for the industry.** Figure 11 shows the change in number of child care workers between 2019 and 2022 for each state. Only five states saw an increase in the number of child care workers between 2019 and 2022. The number of child care workers fell by an estimated 26.6% in Maryland, putting the State in the top 10 for sharpest decline.

Figure 11: Percent Change in the Number of Child Care Workers by State, 2019-2022



Source: IPUMS and U.S. Census Bureau
Note: Data are self-reported and include workers who may be outside the formal or licensed child care sector, such as au pairs or nannies

Turnover in the child care industry is high – it is a skilled, labor intensive job for which workers receive low pay and limited or no benefits. In Maryland, the turnover rate for child care workers in 2022 was 12.5%, higher than the average across all industries of 10.7%.[42] However, the turnover rate in Maryland is consistent with pre-pandemic levels which was 12.9% in 2019. A shrinking workforce with relatively stable turnover rates suggests that **new workers are not entering the field at previous rates.**

There are several challenges to recruiting and retaining child care workers to reach full employment; some unique to Maryland.

FINDING 1: Low wages and benefits

Wages are low and benefits are rarely offered to child care workers. Pay in the child care sector nationally is low: nearly half of child care workers in the U.S. receive some form of public assistance, such as the Supplemental Nutrition Assistance Program (food stamps). This perpetuates equity issues as 95% of child care workers nationally are women and 35% are people of color.[43] Child care workers (a classification that does not include managers or owners) in Maryland earned an annual average salary of $34,410 in 2023, **less than half of the average wage across all occupations of $73,620.** [44] Maryland child care workers with the credentials to work in D.C. can access and earn higher wages there ($41,450 on average, the highest in the nation) – a headwind for the State's child care workforce.[45] Further, child care workers earn less than half the salary of a public school teacher in Maryland ($79,400 on average), despite working year-round. A provider consulted for this brief expressed that child care "feels like a stepping stone for the public school workforce."[46]

Further, health care, paid time off, and retirement savings are minimal: Child care workers are typically offered few or no benefits.[47] Nationally, one-fifth of child care workers have employer-sponsored health insurance (compared to half of all workers),[48] and one in 10 child care workers have retirement benefits (compared to one-third of workers overall).[49]

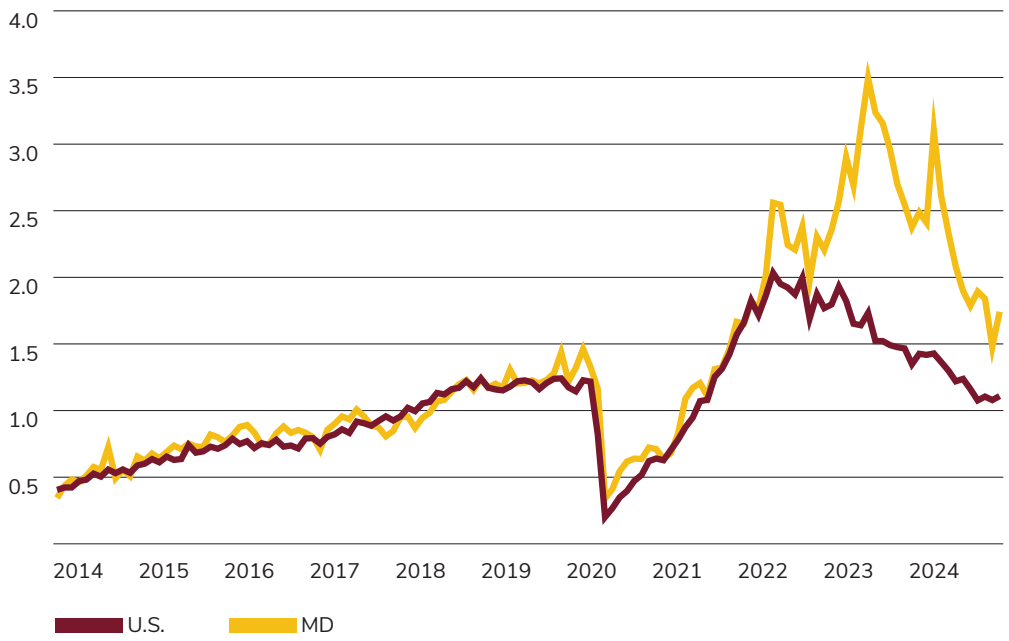
FINDING 2: High barriers to entry

Barriers to entry are high: It takes more experience and training to become a licensed child care worker than other similarly paid positions in sectors such as retail, hospitality, and warehousing. (Several providers in the roundtable discussions cited losing employees to Amazon and Target post-pandemic). **These roles typically require only short-term, on-the-job training whereas child care requires significant credentials and ongoing professional learning**. To become a licensed child care worker in a center in Maryland, one must obtain at least an associate's degree with approved courses in early childhood education; or for those with a high school diploma or equivalent, complete health and safety courses (i.e., CPR and First Aid) and 90 clock hours of pre-service training, or obtain the Child Development Associate Credential and have at least one year of related work experience.[50]

FINDING 3: Plentiful alternative jobs

In Maryland, job options are plentiful: Post-pandemic there are more alternative jobs and career paths for prospective child care workers in Maryland than in the rest of the country. As Figure 12 shows, there were 1.8 job openings available for every unemployed worker in Maryland in August 2024 as opposed to 1.1 nationally. The number of job openings available for every unemployed worker in Maryland tracked the national ratio closely pre-pandemic, but this pattern has broken in recent years. This is attributable to decreased labor force participation in Maryland and the high job opening rate in Maryland. **This means unemployed workers in Maryland have more options available and can potentially select jobs with higher wages and benefits**.

Figure 12: Number of Job Openings per Unemployed Worker in Maryland and United States, January 2014–October 2024



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics Program and Job Openings and Labor Turnover Survey

Maryland Policy Context

Working to Build Back the State's Child Care Workforce

Child care providers consulted for this brief emphasized the importance of financial support to help workers achieve credentialing and continuing education requirements.

Maryland has taken steps intended to support child care workers in recent years. State-sponsored programs to support the childcare workforce include:

- The Child Care Credentialing Program covers the cost of mandated annual training and other professional development. The program did not receive funding in FY25 but was allocated funding for FY26.[51]
- The Child Care Career and Professional Development Fund: a tuition assistance program for child care providers obtaining degrees in early childhood education, child development, elementary education, or special education at participating colleges in Maryland.[52]
- Career and Technical Education Programs, Registered Apprenticeship programs: The Maryland Department of Labor has 58 registered apprentices for child care development specialists and 52 registered apprentices for early childhood educators. Registered apprenticeship programs are sponsored by Harford Community College, Howard Community College, the Center for Early Childhood Education and Intervention, and Nightwatch Childcare. Additionally, Montgomery College (and the Montgomery Alliance for Early Childhood Education) were awarded an EARN (Employment Advancement Right Now) Maryland grant in 2024 to support training for childcare workers.[53]
- In the 2024 legislative session, the Maryland General Assembly passed a bill that establishes a distinct career ladder and creates a Career and Professional Development Fund to help child care workers meet qualifications. It also establishes alternative pathways, including experience-based qualifications for some childcare positions.[54]
- The Maryland Department of Labor is in the process implementing the Family and Medical Leave Insurance (FAMLI) Program, established by the General Assembly in 2022, which will provide most workers in the state, including child care workers, with access to paid leave.[55]

3.3 The Cost of Child Care in Maryland

Key Findings:
(1) The cost of child care is high in Maryland, but the expanded Child Care Scholarship Program is helping address affordability.
(2) Mandated teacher-to-child ratios are a key driver of costs in child care. In Maryland, the teacher-to-infant ratio is lower compared to other states.
(3) Child care prices are high in large part because provider costs are high. Child care providers operate on tight profit margins, usually less than 1%.

The cost of child care is a significant barrier for many families. According to the U.S. Department of Health and Human Services, child care is considered affordable if it costs families no more than 7% of their income.[56] However, as Figure 13 shows, even having one child in licensed care in Maryland puts families above that threshold for nearly all age brackets. According to data collected by Child Care Aware, taken from Maryland child care resource and referral agencies, **center-based infant care is the costliest type of child care in Maryland**, with an average annual cost to families of $19,906. This rate represents 12.8% of the median married couple's income, and 41.3% of the median single-parent family income in Maryland.[57] As context, tuition for in-state students at the University of Maryland College Park for the 2023-2024 academic year is roughly $11,500.[58]

Figure 13: Average Cost to Families for Child Care in Maryland by Provider Type and Child Age

Category	Average Cost, 2023	Maryland Rank by Cost (most to least expensive)	Percent Change in Maryland Cost, 2020-2023	Child Care as a Percent of Married Couple Median Income, 2023	Child Care as a Percent of Single-Parent Family median Income, 2023
Center-Based Infant Care	$19,906	6	22.7%	12.8%	41.3%
Family-Based Infant Care	$14,320	7	35.0%	9.2%	29.7%
Center-Based Toddler Care	$15,253	16	18.8%	9.8%	31.6%
Family-Based Toddler Care	$10,824	13	13.5%	6.9%	22.4%
Center-Based 4-Year Old Care	$12,771	15	15.0%	8.2%	26.5%
Family-Based 4-Year Old Care	$10,136	17	16.8%	6.5%	21.0%

Source: Child Care Aware[59]
Note: Median Income for a Married Couple in Maryland (2023) is $156,064. Median Income for a Single-Parent family in Maryland (2023) is $48,241 (U.S. Census Bureau, American Community Survey 2022 five year estimates)
Note: Rankings including Washington D.C.

FINDING 1: High costs, especially for infant care

The cost of child care is high in Maryland relative to other states (and Washington D.C.) – see rankings in Figure 13. Tuition increased for every age group and provider type in Maryland between 2020 and 2023 – most significantly for infant care. During that time frame, the cost of infant care increased by 22.7% for center-based slots and by 35% for family care slots. **Accounting for inflation, total wages in Maryland have not grown since the fourth quarter of 2020, meaning that cost increases are not offset by wage increases.**[60] Tuition increases absent wage increases risk pushing working parents into tenuous child care situations or even job losses. To address high costs of child care, the State has made historic investments in scholarships over the past two years. See the "policy box" on page 30.

A Maryland mother who participated in one of the roundtables for this brief experienced this first hand. When she had her first child in 2013, she found licensed care that met her needs and budget and remained in the workforce. When she had her second child in 2021, she found that the cost of child care had doubled while her wages stayed the same. She cut her hours dramatically – working only nights and weekends for three years – so that she could care for her child during the day. Earlier this year, she found a job with higher pay enabling her to enroll her child in care and return to the workforce full time.[61]

FINDING 2: Low staff-to-child ratios

The cost of care is significantly impacted by teacher-to-child ratios. In Maryland, the mandated teacher-to-child ratio for child care centers is 1:3 for infants. The infant ratio in Maryland matches recommendations from the Administration for Children and Families. However, Maryland is one of only three states (along with Kansas and Massachusetts) that require a 1:3 teacher-to-infant ratio for centers; most surrounding states require a 1:4 ratio.[62, 63] Increased labor costs associated with the low ratio means infant slots are the most expensive for providers to operate, and therefore are the most expensive to parents. On the other hand, there is research that suggests higher teacher-to-child ratios can lead to higher rates of staff burnout and turnover, which come with their own costs.[64]

Maryland ranks in the top third of U.S. states for the cost of licensed care for children under age 5 - see figure 13. However, Maryland's ranking improves from infant to toddler to children ages 2-4.As children grow older, teacher-to-child ratios widen (in centers, one teacher can oversee 10 children between the ages of three and four), expenses to providers decrease and, as a result, so does the cost to families.

FINDING 3: Child care providers operate on very tight margins

Child care prices are high in large part because provider costs are high. Child care providers operate on tight profit margins, usually less than 1%.[65] The business model is tenuous – 60% of child care providers report having less than one month of operating costs available, while the U.S. Chamber of Commerce recommends that all businesses have three to six months of cash on hand. This makes child care providers particularly sensitive to price and policy changes that can increase their costs.[66]

Over the past several years, the combination of elevated inflation and increased interest rates have impacted several key provider expenses: classroom supplies, food, utilities, rent/mortgage, insurance, and construction/ renovations (to stay compliant and competitive). Nonprofit child care providers participating in roundtables for this brief discussed having to raise significantly more funds than in past years, or fundraise for the first time, to balance their budgets.[67] For example, a nonprofit provider in Talbot County had to raise more than double this year ($847,000) compared to the past 5 years on average ($400,000) to cover the gap between what they charge for tuition and their expenses.[68]

Maryland Policy Context

Working to Address High Child Care Costs to Parents and Rising Expenses for Providers

State and local governments are helping to lower providers' expenses *and* make child care more affordable for parents.

First, the **Child Care Scholarship** (CCS) Program[69] is an essential resource for addressing cost challenges for both families and providers. Eligibility and tuition assistance were both expanded significantly under the Moore–Miller administration: over the past two fiscal years, $605 million has been invested in the CCS program (a historic high for the program). Since January 2022, an additional 16,000 children have been added to the program's rolls. Between 2023 and 2024 alone, there has been a 30% increase in children served annually. This program has enabled more families – about 36,000 this year, up from 28,000 last year – to go to work, school, or a training program and pay little to no cost for child care. More parents who can afford child care means a larger labor pool, and more business for providers. Having the state as the payer has helped fill the gap between providers' expenses and what they can charge for tuition without pricing parents out.

On the provider side, roughly 4 out of 5 child care scholarships are being used for center-based slots, while 1 of 5 are being used for family-care slots (roughly aligned with the statewide share of capacity for these two provider types, noted in Figure 5). The number of children enrolled in the CCS program in center-based care has increased by 112% since 2019 compared to 50% in family-based care, reflecting the shift from family to center-based care underway in Maryland's child care industry.

In roundtable discussions, child care providers did stress challenges navigating the CCS administrative and payment processes and procedures. This is especially true for family care programs, which are often owned and operated by one individual limiting capacity for administrative work associated with CCS, and other government aid like the Paycheck Protection Program.

Second, Maryland is exploring **cost modeling for child care**, which could help establish subsidies for reimbursement rates that reflect actual costs to providers to deliver services effectively and at top quality (which may include higher wages to recruit and retain staff and investments in facilities), instead of their market rates (which are adjusted to accommodate what families can afford).

Finally, governments are taking note of one commonly cited challenge for child care providers: their inability to achieve economies of scale. The GOFCC program is working on opportunities to expand **shared services** at the state level and Montgomery County is preparing to pilot a shared services model for child care providers aimed at reducing the costs of services critical to business operations, such as HR and accounting.[70]

Section 4. Economic Impacts of Child Care

Maryland's child care sector plays a vital role in the state's short and long-term economic well being. Over the long-term, research indicates that quality early childhood education is linked to improved education and economic outcomes.[71] In the more immediate term, child care has the following impacts:

Increased labor force participation – As discussed in Section 2, national research establishes a clear link between increased access to quality, affordable child care and increased labor force participation rates. When parents stay in the labor force, businesses avoid inefficiencies and costs associated with turnover and vacancies. A larger labor force also gives employers more options and supports business growth. As discussed in the sections 2 and 3.2, employment growth has been a challenge in Maryland – there are not enough workers to fill openings, and women disproportionately work in jobs where there are shortages (e.g. nurses, teachers).[72]

Child care has increasingly become an economic development priority for the business community. In an effort to recruit and retain parents, some businesses have opted to provide on-site care themselves, provide staff with subsidies for child care, or partner with companies that help staff members to find child care options to meet their needs. For example, the Baltimore City Policy Department is initiating a pilot program to provide financial support to supplement child care expenses and assistance navigating the child care system to 100 members. It is intended to address the Department's staffing shortage.[73]

Others businesses are introducing family-friendly workplace policies or benefits including generous paid parental, family medical, emergency and sick leave, employee and family benefits, flex time, job sharing, and options to temporarily or permanently switch to part time. Research shows that policies like these are correlated with employee retention and loyalty, and they increase productivity and reduce stress for parents.[74]

Increased productivity – A 2018 study by Maryland Family Network estimated that, in 2016, "absence and turnover due to child care issues of working Maryland parents with children age 5 and under reduced Maryland's economic output by $1.28 billion."[75] When parents have to take time off work due to child care issues, the parent may forgo income and the employer loses the productivity the parent would contribute. A more robust child care system with more staff gives parents more options and reduces the risk of absence or turnover.

Increased state revenues – Increased labor force participation results in more Maryland residents working, which in turn translates into additional income tax revenue for the State. More affordable child care also allows parents to have more disposable income and/or savings to spend on goods and services, which bolsters the economy via consumer spending and increases sales and use tax revenue for the state.

Increased economic security – Expanded child care accessibility can help parents re-enter the labor force, increasing their household earnings. Further, for many Marylanders, employment is also the pathway for important benefits like health insurance and retirement savings programs. This is particularly important for single parents who can't rely on a spouse for benefits. Nationally, increases in single mothers' LPR – especially when coupled with increases in state minimum wage, which occured recently in Maryland – are associated with declines in child poverty.[76] This is only possible with access to affordable, accessible child care.

Increased earning potential – When workers, especially women, drop out of the labor force, there are long-term impacts to their career path and earning potential. For example, Claudia Goldin and Larry Katz found that for college-educated women 15 years after graduation, an 18-month break in work was associated with a decrease in earnings of 41% for those with an MBA, 29% for those with a JD or a PhD, and 15% for those with an MD."[77] Increasing access to quality, affordable child care can provide women with more flexibility and agency over their careers and earnings.

Section 5. Conclusion

Maryland's LPR has begun to rebound following a stubborn decline that has persisted in Maryland for longer than the rest of the U.S. An expansion of the state's child care industry is a critical part of Maryland's continued economic recovery by helping parents and caregivers, especially women, return to the labor force.

Despite large declines in child care providers and workers, Maryland's child care capacity is trending towards pre-pandemic levels as measured by the number of licensed slots in the system and has maintained the same level for children under 5 since 2020. Recent expansion of the state's Child Care Scholarship Program and increases in mixed-delivery Pre-K for 3 and 4 year olds is yielding positive results.

An area of concern is the potential decrease in capacity of infant and toddler care. Family-based providers have historically provided care for more infants (0-18 months), than center-based providers. But with sharp declines in family providers, it is not clear if centers have been able to make up for losses in infant capacity. The decline in family-based providers (which are more affordable, more likely to offer varied hours, and more likely to be located in residential neighborhoods) means fewer options for workers who have non-traditional schedules, limited transportation access, or do not qualify for the scholarship program.

Another area that warrants further exploration is the apparent decline in standalone child care centers and an increase in licensed child care centers within larger organizations like private schools and multi-service nonprofit organizations. While this shift has not affected overall capacity to date, it may have impacts on costs, accessibility, program quality and the potential for expansion of child care capacity in the state. Finally, a lack of data severely limits the ability to draw conclusions and fully understand trends in Maryland's child care system and its direct impact on labor force participation.

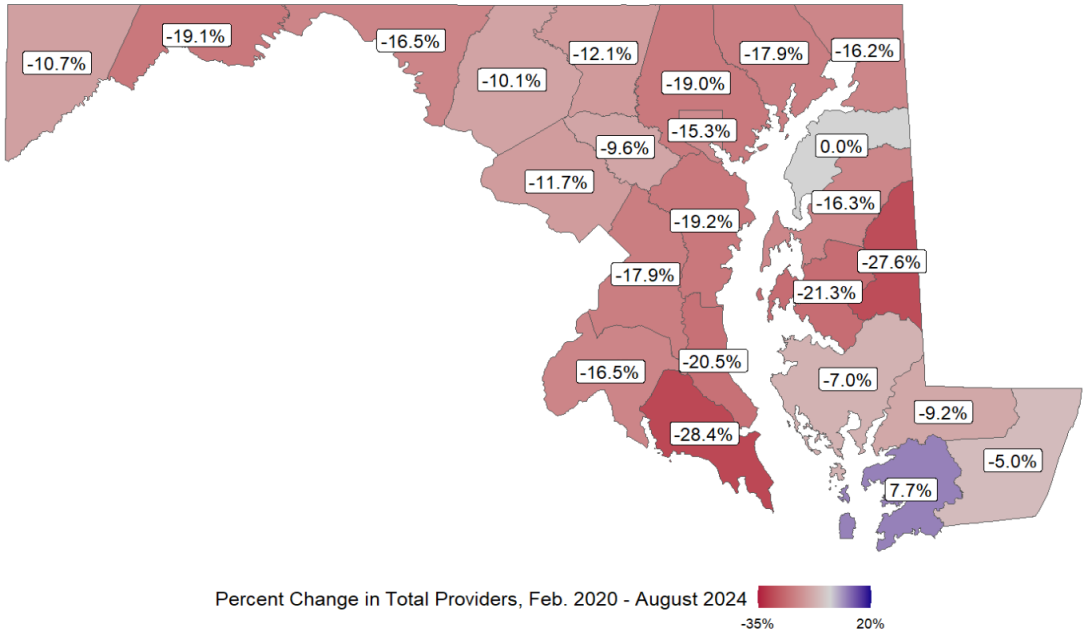
Child care is a fragile market that requires government intervention to enable providers – often small businesses – to succeed and enable parents with young children to work. Child care challenges can create significant headwinds for equitable economic growth. A robust child care system with adequate capacity and affordability to meet demand for all parents interested in working outside of the home will enable more prime age adults to enter the labor force, thereby reducing job vacancies, allowing businesses to grow and create more jobs, and bolstering state revenue.

Appendix

Licensed Child Care Providers by County

Eighteen counties in Maryland saw a double-digit decline in the percent change for providers between February 2020 and August 2024, with the greatest declines in Western Maryland, the Eastern Shore, and Southern Maryland. Only Somerset County currently exceeds its pre-pandemic number of child care providers. The county has added two new licensed providers since February 2020 – one licensed child care center and one registered family child care provider. The number of licensed providers in Kent County has remained consistent since February 2020. (See Figure A in appendix)

Figure A: Change in Total Licensed Child Care Providers by County, February 2020 – August 2024

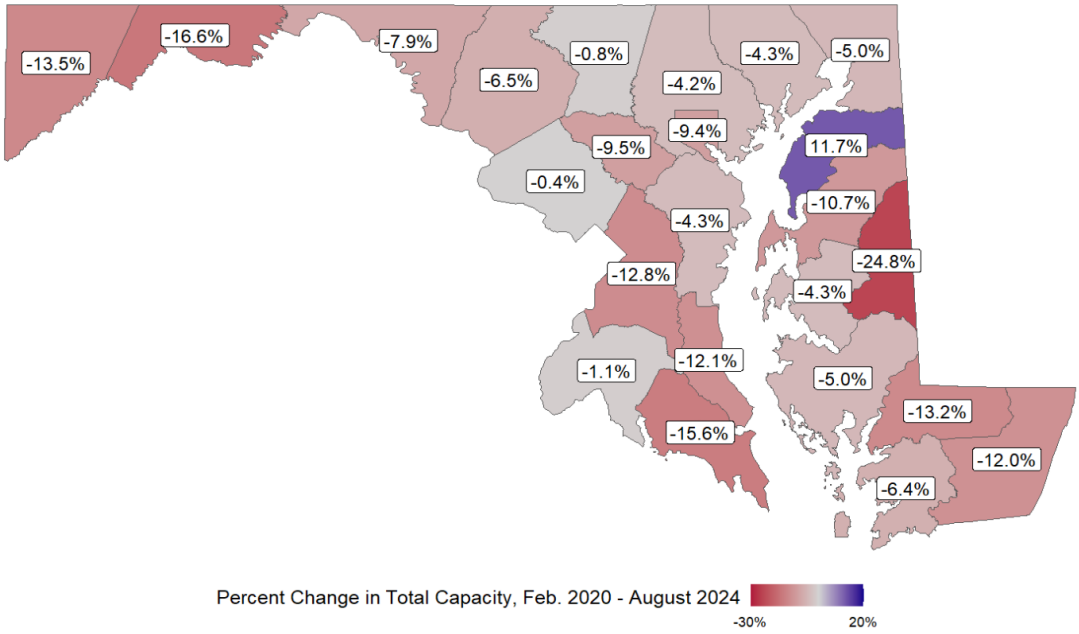


Source: Maryland State Department of Education data

Licensed Child Care Capacity by County

Between February 2020 and August 2024 Kent County added capacity – the only Maryland county to do so. Several other Maryland counties experienced only modest contractions in capacity. For example, Montgomery County saw capacity fall by only 0.4% (down 169 slots). In contrast, neighboring Prince George's County experienced a 12.8% drop in licensed capacity. Several geographic characteristics such as rural status or median income do not explain the variations in Figure 10. Unlike Kent County on the Eastern Shore, Allegany County in Western Maryland saw a 16.6% decline in child care slots. Similarly, while high-income Montgomery County did not lose a significant portion of child care slots, Howard County saw a drop greater than the state average. (See Figure B in appendix).

Figure B: Percent Change in Total Licensed Child Care Capacity by County, February 2020 – August 2024

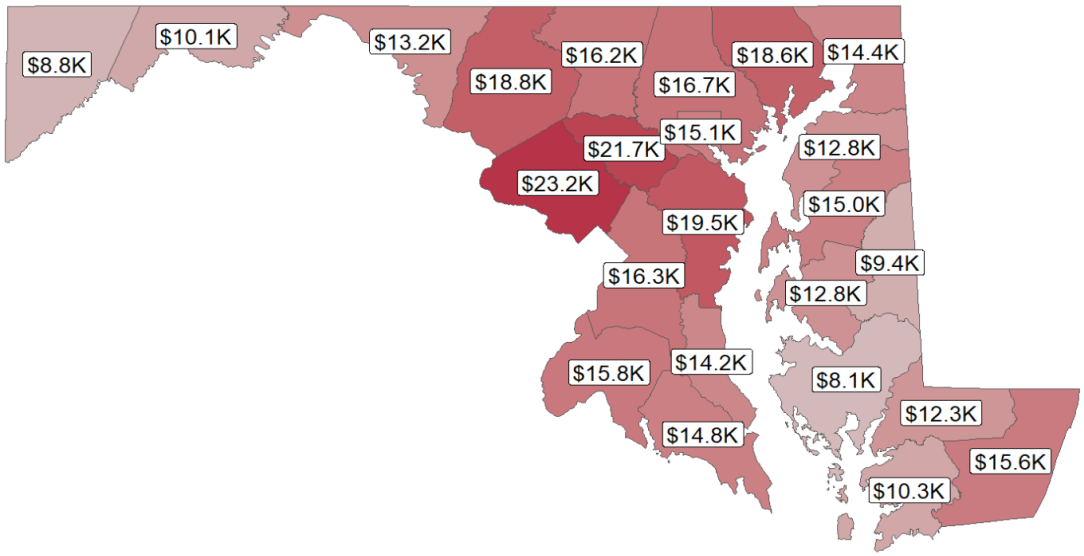


Source: Maryland State Department of Education data

Cost of Care by County

The most recent market rate study completed by Maryland Family Network for MSDE captures 2021 data (a new study is under development at the time of this brief). The estimated market rate in Dorchester County for an infant in a child care center was $8,125 compared to $23,234 in Montgomery County. (See Figure C in Appendix). These prices are a significant burden for Maryland families.

Figure C: Estimated Market Rate (Price of Full-Time Child Care) for Infant in Center-Based Child Care, 2021



Source: Maryland Family Network

Appendix 2: Data Tables for Charts

Data Table for Figure 4: Child Care Providers by Type

	Family care providers	Child care centers
Number of Providers	4,118	2,631
%	61%	39%

Source: MSDE, Office of Child Care – publicly available licensing data

View Chart

Data Table for Figure 5: Child Care Capacity by Provider Type

	Family care providers	Child care centers
Capacity	32,271	174,374
%	16%	84%

Source: MSDE, Office of Child Care – publicly available licensing data

View Chart

Data Table for Figure 6: Total Licensed Child Care Providers in Maryland, February 2020–October 2024

Month	Provider Count
Feb-20	7,984
Mar-20	7,942
Apr-20	7,896
May-20	7,886
Jun-20	7,869
Jul-20	7,817
Aug-20	7,770
Sep-20	7,729
Oct-20	7,705

Month	Provider Count
Nov-20	7,662
Dec-20	7,628
Jan-21	7,563
Feb-21	7,536
Mar-21	7,486
Apr-21	7,445
May-21	7,410
Jun-21	7,389
Jul-21	7,329
Aug-21	7,300
Sep-21	7,295
Oct-21	7,276
Nov-21	7,247
Dec-21	7,231
Jan-22	7,222
Feb-22	7,210
Mar-22	7,204
Apr-22	7,186
May-22	7,175
Jun-22	7,163
Jul-22	7,133
Aug-22	7,130
Sep-22	7,110
Oct-22	7,102
Nov-22	7,085
Dec-22	7,059
Jan-23	7,042
Feb-23	7,011
Mar-23	6,990

Month	Provider Count
Apr-23	6,983
May-23	6,986
Jun-23	6,971
Jul-23	6,910
Aug-23	6,920
Sep-23	6,881
Oct-23	6,862
Nov-23	6,838
Dec-23	6,828
Jan-24	6,818
Feb-24	6,806
Mar-24	6,799
Apr-24	6,796
May-24	6,783
Jun-24	6,772
Jul-24	6,733
Aug-24	6,731
Sep-24	6,739
Oct-24	6,732

Source: MSDE, Office of Child Care – publicly available licensing data

View Chart

Data Table for Figure 7: Total Licensed Child Care Capacity in Maryland, February 2020–October 2024

Month	Provider Capacity
Feb-20	219,270
Mar-20	218,404

Month	Provider Capacity
Apr-20	218,101
May-20	218,133
Jun-20	217,989
Jul-20	217,052
Aug-20	215,503
Sep-20	215,485
Oct-20	215,106
Nov-20	214,656
Dec-20	214,391
Jan-21	211,774
Feb-21	211,557
Mar-21	209,635
Apr-21	209,487
May-21	208,029
Jun-21	208,411
Jul-21	206,803
Aug-21	207,807
Sep-21	207,947
Oct-21	207,449
Nov-21	206,918
Dec-21	206,769
Jan-22	206,664
Feb-22	206,567
Mar-22	206,994
Apr-22	207,118
May-22	207,320
Jun-22	207,360
Jul-22	206,937

Month	Provider Capacity
Aug-22	207,630
Sep-22	207,172
Oct-22	207,528
Nov-22	207,645
Dec-22	207,200
Jan-23	206,983
Feb-23	206,566
Mar-23	206,069
Apr-23	207,108
May-23	207,512
Jun-23	207,399
Jul-23	205,947
Aug-23	207,487
Sep-23	206,947
Oct-23	206,702
Nov-23	206,485
Dec-23	206,760
Jan-24	206,697
Feb-24	206,820
Mar-24	206,584
Apr-24	207,120
May-24	206,821
Jun-24	206,580
Jul-24	205,834
Aug-24	205,650
Sep-24	206,804
Oct-24	206,645

Source: MSDE, Office of Child Care – publicly available licensing data

View Chart

Data Table for Figure 10: Number of Total Licensed Child Care Centers, "Standalone" child care centers, and Potentially Affiliated Child Care Centers as a Percent of Q1 2020 Levels, Q1 2019 to Q4 2023

	"Standalone" Centers	Potentially Affiliated Centers	All Licensed Care Providers
Q1 2019	100.5%	99.9%	100.5%
Q2 2019	99.9%	100.2%	100.0%
Q3 2019	100.7%	99.2%	100.1%
Q4 2019	100.7%	99.4%	100.2%
Q1 2020	100.0%	100.0%	100.0%
Q2 2020	98.2%	102.1%	99.8%
Q3 2020	98.5%	100.0%	99.1%
Q4 2020	98.6%	99.8%	99.1%
Q1 2021	95.5%	98.0%	96.5%
Q2 2021	95.1%	97.5%	96.0%
Q3 2021	93.5%	100.6%	96.3%
Q4 2021	93.8%	98.4%	95.6%
Q1 2022	90.3%	105.0%	96.1%
Q2 2022	90.5%	106.2%	96.7%
Q3 2022	91.8%	106.1%	97.4%
Q4 2022	90.9%	108.4%	97.8%
Q1 2023	89.9%	109.6%	97.6%
Q2 2023	89.2%	111.9%	98.1%
Q3 2023	89.3%	109.2%	97.1%
Q4 2023	90.2%	107.1%	96.9%
Q1 2024	94.3%	101.1%	97.0%
Q2 2024	94.2%	101.4%	97.0%

Source: Maryland State Department of Education data and BLS QCEW data

View Chart

Data Table for Figure 11: Percent Change in the Number of Child Care Workers by State, 2019 to 2022

State	% change
WY	-47.6%
MT	-47.1%
AR	-43.7%
RI	-42.1%
LA	-39.7%
WV	-37.6%
NE	-30.8%
VT	-28.9%
SD	-28.7%
MD	-26.6%
UT	-25.5%
DC	-24.7%
MN	-24.5%
NH	-24.4%
VA	-24.3%
KS	-24.1%
AK	-22.6%
ME	-22.3%
OR	-21.8%
NY	-20.6%
OK	-19.8%
NC	-18.1%
MA	-17.6%
WA	-17.1%
IN	-16.8%
CO	-16.8%

State	% change
MI	-16.4%
IA	-16.3%
MO	-15.9%
DE	-15.0%
AL	-14.7%
CT	-13.7%
AZ	-13.2%
IL	-11.7%
FL	-11.2%
CA	-11.1%
PA	-10.1%
TX	-9.6%
ID	-7.2%
KY	-7.2%
NJ	-7.1%
TN	-6.2%
OH	-1.9%
SC	-0.9%
GA	-0.9%
WI	0.7%
MS	2.3%
NV	5.8%
NM	11.5%
HI	27.0%
ND	69.4%

Source: IPUMS and U.S. Census Bureau

View Chart

Data Table for Figure 12: Number of Job Openings per Unemployed Worker in Maryland and United States, January 2014 – October 2024

	US	MD
Jan-14	0.40	0.34
Feb-14	0.42	0.43
Mar-14	0.42	0.48
Apr-14	0.47	0.46
May-14	0.48	0.51
Jun-14	0.53	0.58
Jul-14	0.50	0.56
Aug-14	0.56	0.73
Sep-14	0.53	0.49
Oct-14	0.56	0.55
Nov-14	0.53	0.51
Dec-14	0.59	0.65
Jan-15	0.60	0.62
Feb-15	0.64	0.68
Mar-15	0.61	0.64
Apr-15	0.65	0.69
May-15	0.63	0.74
Jun-15	0.64	0.71
Jul-15	0.74	0.75
Aug-15	0.68	0.73
Sep-15	0.69	0.73
Oct-15	0.73	0.82
Nov-15	0.71	0.80
Dec-15	0.74	0.76
Jan-16	0.79	0.81
Feb-16	0.75	0.88

	US	MD
Mar-16	0.77	0.89
Apr-16	0.72	0.84
May-16	0.75	0.74
Jun-16	0.74	0.75
Jul-16	0.78	0.83
Aug-16	0.73	0.88
Sep-16	0.74	0.83
Oct-16	0.72	0.85
Nov-16	0.79	0.83
Dec-16	0.79	0.80
Jan-17	0.75	0.71
Feb-17	0.80	0.86
Mar-17	0.82	0.90
Apr-17	0.86	0.96
May-17	0.83	0.93
Jun-17	0.92	1.01
Jul-17	0.91	0.96
Aug-17	0.89	0.89
Sep-17	0.92	0.87
Oct-17	0.96	0.81
Nov-17	0.93	0.85
Dec-17	0.96	0.95
Jan-18	1.02	0.96
Feb-18	1.00	0.87
Mar-18	1.05	0.95
Apr-18	1.06	0.98
May-18	1.13	1.07
Jun-18	1.12	1.08

	US	MD
Jul-18	1.16	1.14
Aug-18	1.17	1.20
Sep-18	1.22	1.23
Oct-18	1.18	1.16
Nov-18	1.24	1.24
Dec-18	1.17	1.17
Jan-19	1.16	1.20
Feb-19	1.15	1.17
Mar-19	1.18	1.31
Apr-19	1.22	1.20
May-19	1.23	1.21
Jun-19	1.21	1.23
Jul-19	1.16	1.20
Aug-19	1.21	1.23
Sep-19	1.24	1.28
Oct-19	1.24	1.44
Nov-19	1.17	1.22
Dec-19	1.14	1.32
Jan-20	1.23	1.46
Feb-20	1.22	1.33
Mar-20	0.82	1.16
Apr-20	0.20	0.34
May-20	0.27	0.41
Jun-20	0.35	0.55
Jul-20	0.40	0.62
Aug-20	0.47	0.64
Sep-20	0.52	0.64
Oct-20	0.62	0.72

	US	MD
Nov-20	0.64	0.71
Dec-20	0.63	0.64
Jan-21	0.70	0.68
Feb-21	0.78	0.83
Mar-21	0.88	1.09
Apr-21	0.95	1.17
May-21	1.07	1.21
Jun-21	1.08	1.11
Jul-21	1.25	1.31
Aug-21	1.31	1.32
Sep-21	1.42	1.46
Oct-21	1.57	1.67
Nov-21	1.66	1.65
Dec-21	1.83	1.82
Jan-22	1.72	1.77
Feb-22	1.86	2.01
Mar-22	2.03	2.56
Apr-22	1.95	2.55
May-22	1.92	2.24
Jun-22	1.87	2.21
Jul-22	1.99	2.38
Aug-22	1.69	1.98
Sep-22	1.87	2.30
Oct-22	1.77	2.21
Nov-22	1.80	2.36
Dec-22	1.93	2.57
Jan-23	1.82	2.90
Feb-23	1.65	2.69

	US	MD
Mar-23	1.64	3.12
Apr-23	1.73	3.50
May-23	1.52	3.24
Jun-23	1.52	3.16
Jul-23	1.49	2.96
Aug-23	1.48	2.70
Sep-23	1.47	2.55
Oct-23	1.35	2.38
Nov-23	1.43	2.49
Dec-23	1.42	2.41
Jan-24	1.43	3.10
Feb-24	1.36	2.61
Mar-24	1.30	2.33
Apr-24	1.22	2.08
May-24	1.24	1.90
Jun-24	1.16	1.79
Jul-24	1.08	1.89
Aug-24	1.10	1.84
Sep-24	1.08	1.48
Oct-24	1.11	1.74

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View Chart

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