

Early Childhood Subcommittee Briefing: Child Care Scholarship Program

Division of Early Childhood

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PRESENTED BY

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Presentation Outline

1. Improving Child Care Access, Affordability, and Quality
2. Aligning the Child Care Scholarship Program with Federal Guidance
3. Policy Option to Support the Sustainability of Child Care



1. Improving Child Care Access, Affordability, and Quality

2. Aligning the Child Care Scholarship Program with Federal Guidance

3. Policy Option to Support the Sustainability of the Child Care

Improving Child Care Access, Affordability, and Quality

Maryland has implemented positive policy and program implementation changes to improve child care access, affordability, and quality.

Improving Access and Affordability

- The Maryland State Department of Education (MSDE) administers the Child Care Scholarship program, which provides financial support to help low-income households afford child care.
- Starting in FY 2018, the Maryland General Assembly made significant enhancements to the program:
 - Raising the reimbursement rate from the 9th percentile to the 70th percentile of market rates,
 - Reducing copayments for all households,
 - Raising income eligibility thresholds from 32% to 75% of the state median income (SMI), \$61K for a family of 2 or \$90K for a family of 4,
 - Redeterminations are annual, and income thresholds for redeterminations are now set to 85% of SMI.
- Implementing presumptive eligibility (known as the Fast Track Child Care Scholarship Application) so that families were entitled to accessing 60 days of child care in three days, while continuing to submit their full application for a 52-week scholarship.

Improving Access and Affordability: Market Rate Reimbursement Changes Timeline

Reimbursement Rate Changes:

- 5/14/2018: Increased From 9th percentile to 20th percentile
- 6/24/2019: Increased to 30th percentile
- 11/23/2020: Increased to 60th percentile
- 5/23/2022: Increased to 70th percentile
 - Please note: MSDE made the change from the 60th percentile to the 70th percentile using American Rescue Plan Act funds. This was due a budget amendment that was approved by DBM. However, these changes were not made in regulation. Therefore, the change can be temporary.

Improving Access and Affordability: Copayment Changes Timeline

Copay Changes:

- 3/10/2020: All parent/guardian co-pays for the Child Care Scholarship Program are waived.
- 9/30/2020: Parents and guardians are again required to pay their mandatory co-payments.
- 5/23/2022: Co-payments for families receiving SNAP, WIC, TCA, Section 8, and SSI are waived.
 - Please note that these changes were made through legislation.

Improving Access and Affordability: Income Eligibility Changes Timeline

State Median Income/Income Eligibility Changes:

- August 2018: Income eligibility increased from 50% of State Median Income (SMI) to 65% SMI.
- 5/23/2022: Income eligibility increased from 65% of State Median Income (SMI) to 75% SMI.
 - Please note that the national recommendation is for states to use 85% of State Median Income as their income eligibility for families. Also, ACF set re-determination at 85% of State Median Income per federal regulations.
 - The national recommendation was mentioned in memo to the Maryland State Board of Education and the Joint Committee on Administrative, Executive and Legislative Review from Dr. Karen Salmon, former State Superintendent of Schools.

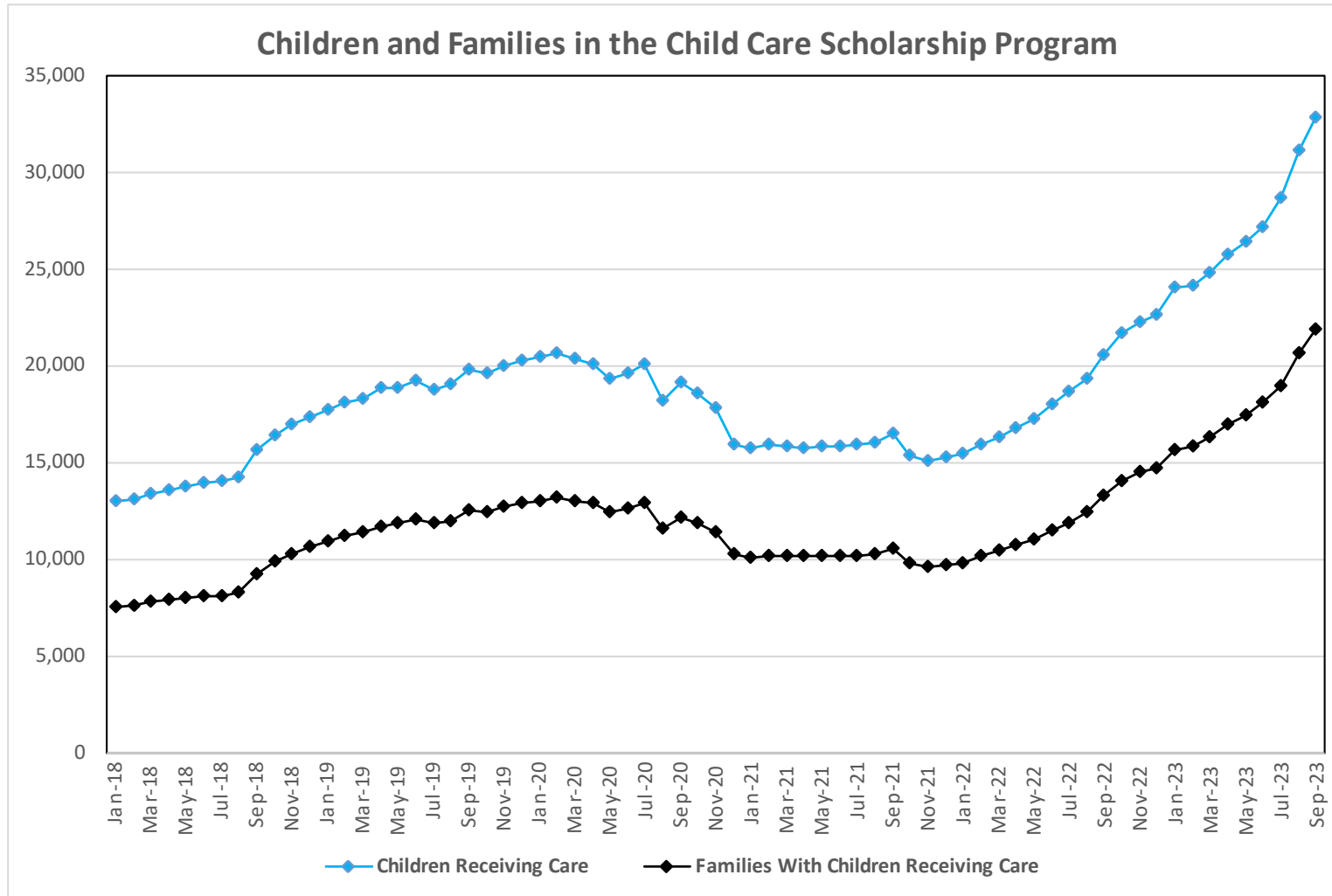
Improving Access and Affordability: Lessening the Burden on Families through the Fast Track Child Care Scholarship Application

Presumptive Eligibility:

- The fast-tracked process allows families with children to apply for the Child Care Scholarship program and begin participating in a child care program without having to wait for the Maryland State Department of Education (MSDE) to determine a final eligibility decision.
- If eligible, the family will receive a temporary 60-day Child Care Scholarship.
- To determine scholarship eligibility beyond the initial 60-day period, applicants must complete the remaining steps of the Child Care Scholarship application process by submitting all the necessary documentation within 15 calendar days.

Comparison of Applications from 2022 vs. 2023 (December 1—December 24)		
Application Status	2022 New Applications	2023 Fast Track
Number of Applications Submitted	1,119	1,097
Average Number of Process Days for All Submitted Applications	30.57 days	2.69 days

Improving Access and Affordability



From FY 2022 to January 2024, there has been a 74.8% increase in the number of families served (totaling 26,505), and a 69.3% increase in the number of children served (totaling 40,632).

More than 40,000 children served, and close to 20,000 families are able to work in Maryland’s labor force due to the program.

Of around 6,800 licensed and registered child care providers, about half have served children in the Child Care Scholarship program, totaling 3,544 providers (a 14.4% increase from FY 2022).

Improving Quality

Bonuses for child care programs that participate in Maryland EXCELS start at \$1,000 no matter the program setting.

Centers

Quality Rating	Capacity 1-50	Capacity 51-100	Capacity 100+
1	\$1,000	\$1,000	\$1,000
2	\$2,000	\$2,500	\$3,000
3	\$3,000	\$3,500	\$4,000
4	\$4,000	\$6,000	\$9,000
5	\$4,500	\$9,000	\$13,500

Family Child Care

Quality Rating	Family Child Care Homes	Large Family Child Care Homes
1	\$1,000	\$1,000
2	\$1,800	\$2,000
3	\$2,800	\$3,000
4	\$3,800	\$4,000
5	\$4,300	\$4,500

Improving Implementation: Technical Assistance and Stakeholder Engagement

The Maryland State Department of Education continues to offer technical assistance and stakeholder engagement to both families and child care providers. These sessions include:

- Throughout 2023, MSDE has been responsive and provided 22 technical assistance sessions, office hours, and information sessions to support child care providers and families with understanding the portal and transitioning to these new processes (averaging two per month). These sessions are continuing at a higher rate in 2024.
- In an early January session, more than 500 child care providers and families attended a technical assistance session on the Child Care Portal.
- Bi-weekly the Division of Early Childhood meets with child care providers, associations, advocates, and other stakeholders to create feedback loops to meet the technical assistance needs of both families and child care providers.

Improving Implementation: Blending and Braiding Funding Streams as the Blueprint for Maryland's Future Scales

The Maryland State Department of Education is supporting the infant and toddler supply as well as beginning to help both local education agencies and private providers understand how to blend and braid funding streams. A few options for blending and braiding funding include:

- State Pre-K funding and the Child Care Scholarship funding
- Title I funding, Blueprint State Pre-K funding, and Head Start funding
- Head Start funding, Blueprint State Pre-K funding, and Child Care Scholarship funding
- Title I funding, Blueprint State Pre-K funds, Head Start funding, and Child Care Scholarship funding



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Aligning the Child Care Scholarship Program with Federal Guidance

Many of Maryland's recent policy and implementation changes are aligned with federal guidance and upcoming regulatory mandates.

Maryland is a Leader on Policy and Implementation Changes

- Maryland removed child support from the income eligibility calculations in alignment with federal regulations.
- Maryland has implemented presumptive eligibility in alignment with upcoming federal regulations. Other states are reaching out to Maryland for support with presumptive eligibility implementation.
- Maryland pays child care providers in advance and by enrollment rather than attendance, which is in alignment with upcoming federal regulatory mandates. These are equitable payment practices that all states will be moving toward implementing.
- Maryland has continued to raise the reimbursement rate for child care providers and the income eligibility for families in alignment with federal guidance.



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Policy Option to Support the Sustainability of Child Care

Definitions

Early Care and Education Term	Definition
Tuition	The payment for an early care and education program
Scholarship or Subsidy	The amount of money Maryland pays child care providers for a child to attend an early care and education program. This amount could be equal to or less than the total program tuition rate.
Copayment (or Copay)	A fixed fee that a family pays to their child care provider to cover a small portion of the scholarship.
Waived Copay or \$0 Copay	A fixed fee that Maryland pays to a family's child care provider to cover a small portion of the scholarship.
Market Rate	The "going rate" for tuition for early care and education programs across Maryland based on seven regions. Each region has a similar cost of living.
Reimbursement Rate	The reimbursement rate is the amount of funding that Maryland supplies to child care providers based on the market rate in their region.
State Median Income (SMI)	An annual income figure representing the point at which there are as many families earning more than that amount as there are earning less than that amount. (Maryland's SMI is the highest in the nation after Washington, DC.) This data point information income eligibility for families.

Developing a Policy Option for Program Sustainability

In collaboration with the Governor's Office and the Department of Budget and Management, the Maryland State Department of Education examined and studied several policy levers to support the long-term sustainability of the Child Care Scholarship program amid unprecedented growth. Our analysis included a review of the following policy levers, such as:

1. Reducing the income eligibility threshold for families.
2. Increasing the amount of money families pay each week on copays for child care.
3. Reducing the amount of money used to reimburse child care providers for early care and education program by lowering the market rate percentile.
4. Freezing new enrollment to the Child Care Scholarship program.

The north star in our analysis was to support families' equitable access to the program and maintain supply of child care programs across the State.

Option: Copayment Sliding Scale

- Maryland is being proactive in meeting anticipated federal regulations that would potentially increase the costs of the program.
- The lowest income families – those receiving other forms of public assistance – will automatically qualify for a copayment waiver, meaning they would pay \$0. A family of four making about \$43,000 to about \$65,000 would have a copayment of 3% of their gross income, approximately \$5 to \$18 a day. A family of four making above \$66,000 would have a copayment of 7% of their gross income, with those at the eligibility limit, making \$90,000, would pay about \$24 a day.
- The copayment sliding scale aligns with anticipated federal regulations, which mandates that Child Care and Development Fund lead agencies cap copayments at 7% of a family's gross income.
- More than half of the country charges families more than 7% of their gross income in copayments, with the highest coming in around 27%.

Questions