



Prekindergarten Sliding Scale Cost Modeling


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PRESENTATION OUTLINE

1. Sliding Scale Background
2. Blueprint Report Options
3. Data Dive
4. Recommendation and Timeline

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Sliding Scale Background

Background on the sliding scale in the Blueprint and MSDE's Report on Prekindergarten Implementation Planning.

Legislative Background

Under the **Blueprint for Maryland’s Future**, MSDE is charged with:

- Expanding voluntary Pre-K to all three- and four-year-old children from families earning **incomes at or below 300% the Federal Poverty Level (FPL) at no charge** to the family.
- Implementing a **subsidized sliding scale for Tier II families** earning 301–600% FPL.
- Tier III families with income >600% FPL may be required to pay the total per pupil funding rate to access full-day Pre-K services.

	Tier I	Tier II	Tier III
FPL Range:	≤ 300%	301 – 600%	> 600%

Sliding Scale Overview

In November 2021, MSDE's [*Prekindergarten Implementation Planning Report*](#) presented **four cost options** for expanding Pre-K for Tier II families.

The four sliding scale **options for calculating the family share** for Tier II children are:

- Option 1: Family pays **percent of total cost of care (Three Levels)**
- Option 2: Family pays **percent of total cost of care (Five Levels)**
- Option 3: Family pays **percent of total cost of care (Fifteen Levels)**
- Option 4: Family pays a **percent of income (Five Levels)**

Cost estimates provided in this presentation use the FY 2022 **FPL of \$27,750** (for a family of four) and the FY 2025 **Pre-K program per pupil** amount of **\$13,003**.

Note: FY 2022 is used because it best aligns with Pre-K enrollment in September 2022. FY 2025 cost of care was used because it aligns with program implementation.


Implementation Steps

As outlined in the implementation report, MSDE will:

1. **Gather input** from local education agencies (LEAs), community providers, and families on the sliding scale options proposed.
2. **Model impact by continuing to evaluate the distribution of eligible families within each sliding scale option.**
3. **Select and disseminate a sliding scale** based on input from stakeholders and evaluation of the projected impact.

The modeling presented here aims to answer the question:

Which sliding scale option is the least expensive for families?

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Blueprint Report Options

Outlining scale options and steps as framed in the Blueprint Report on Prekindergarten Implementation Planning.

Sliding Scale Structures: Options 1 & 2

Option 1

Federal Poverty Level	Annual Income Range	Family Share	Annual Amount
Level 1: 301% - 400%	\$83,528 - \$111,000	25%	\$3,251
Level 2: 401% - 500%	\$111,278 - \$138,750	50%	\$6,502
Level 3: 501% - 600%	\$139,028 - \$166,500	75%	\$9,752

Option 2

Federal Poverty Level	Annual Income Range	Family Share	Annual Amount
Level 1: 301% - 360%	\$83,528 - \$99,900	10%	\$1,300
Level 2: 361% - 420%	\$100,178 - \$116,550	30%	\$3,901
Level 3: 421% - 480%	\$116,828 - \$133,200	50%	\$6,502
Level 4: 481% - 540%	\$133,478 - \$149,850	70%	\$9,102
Level 5: 541% - 600%	\$150,128 - \$166,500	90%	\$11,703

Sliding Scale Structures: Option 3

Option 3

Federal Poverty Level	Annual Income Range	Family Share	Annual Amount
Level 1: 301% - 320%	\$83,528 - \$88,800	6%	\$780
Level 2: 321% - 340%	\$89,078 - \$94,350	12%	\$1,560
Level 3: 341% - 360%	\$94,628 - \$99,900	19%	\$2,471
Level 4: 361% - 380%	\$100,178 - \$105,450	25%	\$3,251
Level 5: 381% - 400%	\$105,728 - \$111,000	31%	\$4,031
Level 6: 401% - 420%	\$111,278 - \$116,550	37%	\$4,811
Level 7: 421% - 440%	\$116,828 - \$122,100	44%	\$5,721
Level 8: 441% - 460%	\$122,378 - \$127,650	50%	\$6,502
Level 9: 461% - 480%	\$127,928 - \$133,200	56%	\$7,282
Level 10: 481% - 500%	\$133,478 - \$138,750	62%	\$8,062
Level 11: 501% - 520%	\$139,028 - \$144,300	69%	\$8,972
Level 12: 521% - 540%	\$144,578 - \$149,850	75%	\$9,752
Level 13: 541% - 560%	\$150,128 - \$155,400	81%	\$10,532
Level 14: 561% - 580%	\$155,678 - \$160,950	87%	\$11,313
Level 15: 581% - 600%	\$161,228 - \$166,500	94%	\$12,223

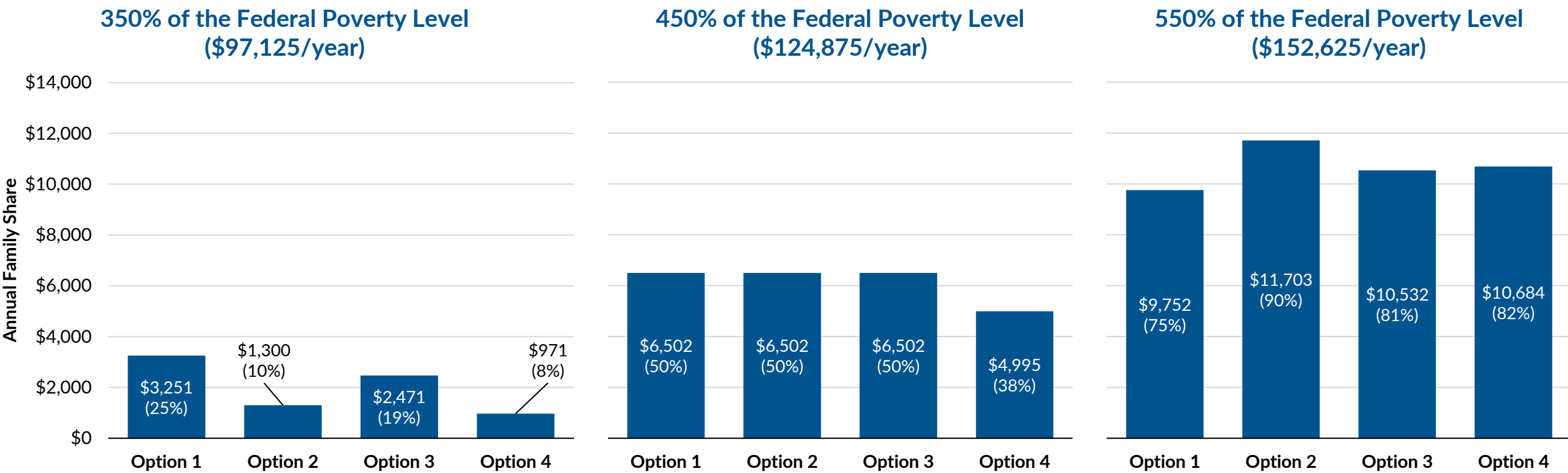
Sliding Scale Structures: Option 4

Total family contribution is per pupil but shall not be more than 7% of annual income.

Option 4			
Federal Poverty Level	Annual Income Range	Family Share	Annual Amount
Level 1: 301% - 360%	\$83,528 - \$99,900	1%	\$835-\$999
Level 2: 361% - 420%	\$100,178 - \$116,550	2%	\$2,004-\$2,331
Level 3: 421% - 480%	\$116,828 - \$133,200	4%	\$4,673-\$5,328
Level 4: 481% - 540%	\$133,478 - \$149,850	6%	\$8,009-\$8,991
Level 5: 541% - 600%	\$150,128 - \$166,500	7%	\$10,509-\$11,655

Sliding Scale Structure Comparison Examples

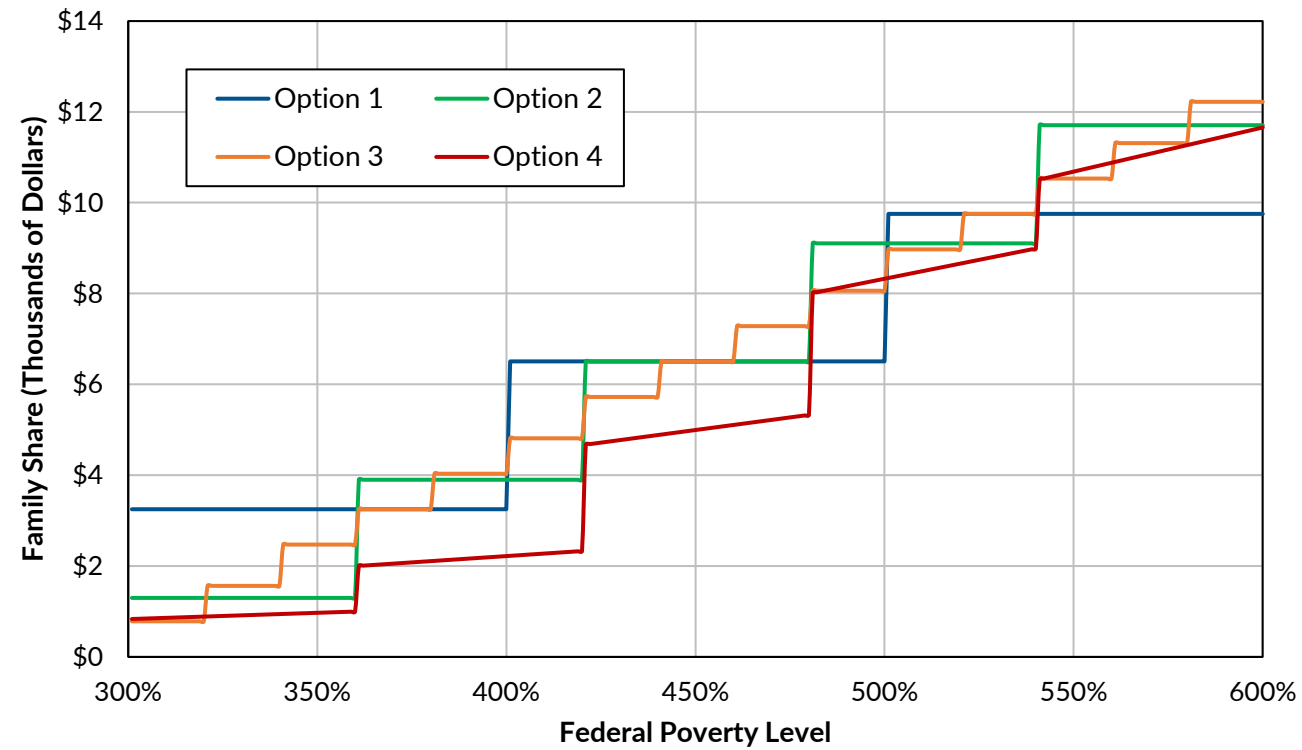
Option 4 is the least expensive option for most of the Tier II range, particularly for lower household incomes. Option 1 is cheapest for families near the Tier III cut (near 600% FPL).




Note: Calculations use the 2022 Federal Poverty Level for a family of four of \$27,750. Percent of cost of care is shown in parentheses.

Sliding Scale Structure Comparison Examples

Option 4 is almost always the least expensive option for household earning **at or below 480%** the Federal Poverty Level.



¹Using the 2022 Federal Poverty Level for a family of four of \$27,750. Note: percent of cost of care is shown in parentheses.

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Data Dive

Data summaries and modeling the family share of Pre-K full-time cost of care based on Sliding Scale Options outlined in the Blueprint.

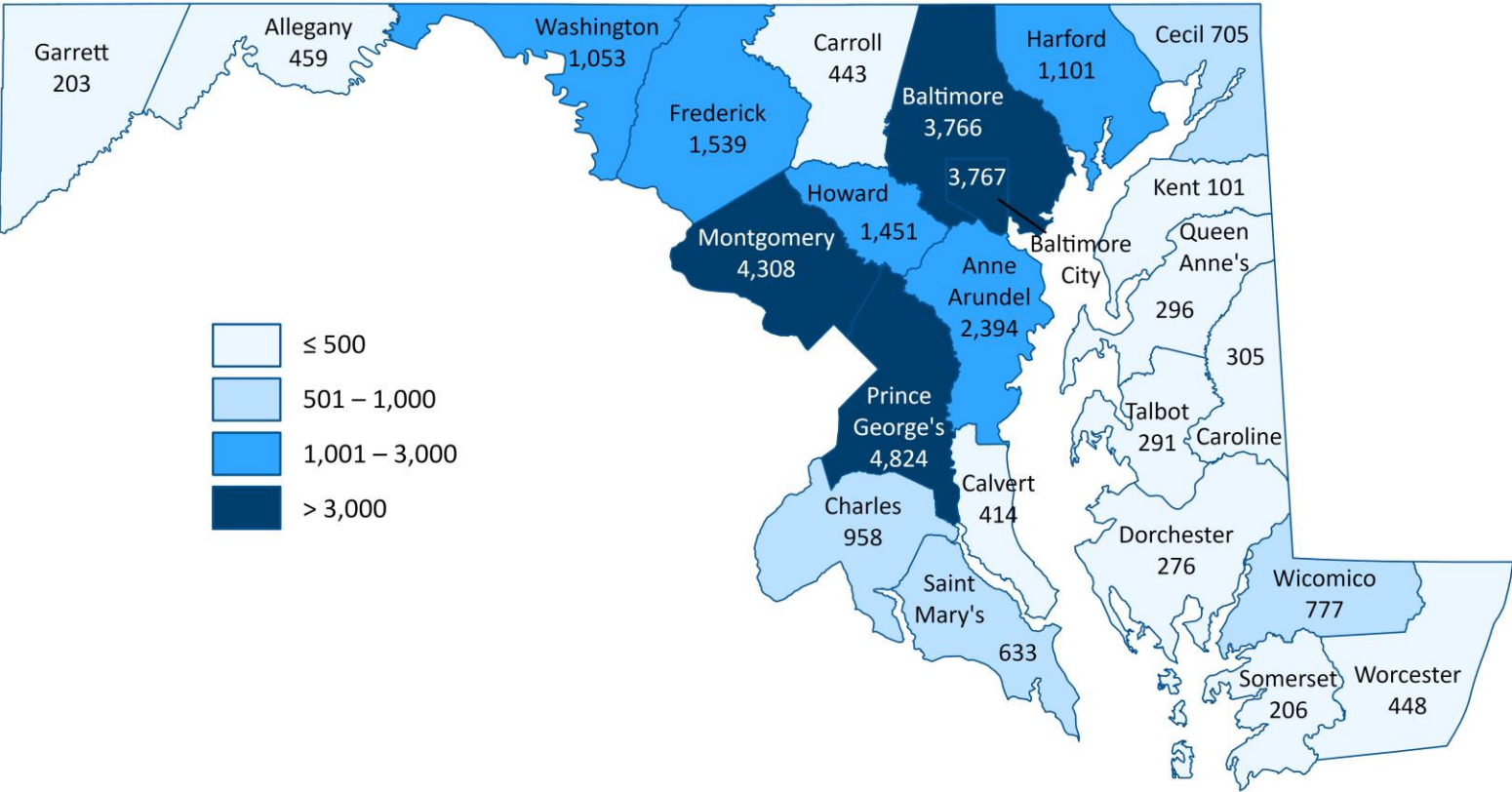
Data Sources

Data used in this study are sourced from:

- **MSDE Enrollment (30 September 2022):**
 - Student-level enrollment count
 - Federal Poverty Level Tier
 - Federal Poverty Level percent
 - Student date of birth
- **Federal Poverty Levels issued by the U.S. Department of Health and Human Services:**
Federal Poverty Levels for each year, based on family size. (This study assumes a family of four for Option 4.)

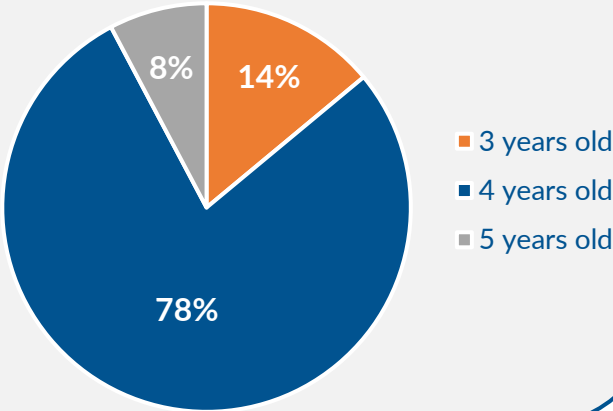
Prekindergarten Enrollment Across LEAs

The total number of students enrolled in public Pre-K for SY2023 varies across LEAs from ~100 to ~4,800 children, with highest enrollment numbers in central Maryland.



**Total Maryland 2023
Pre-K Enrollment:**
30,718

2023 Pre-K Participant Age Distribution¹



¹Children age as of 30 September 2022.

Pre-K Tier Distributions

In September 2022, there were **30,718 children enrolled** in Maryland public Prekindergarten programs; 19,162 (62.4%) of these students have income tier and federal poverty level data reported.

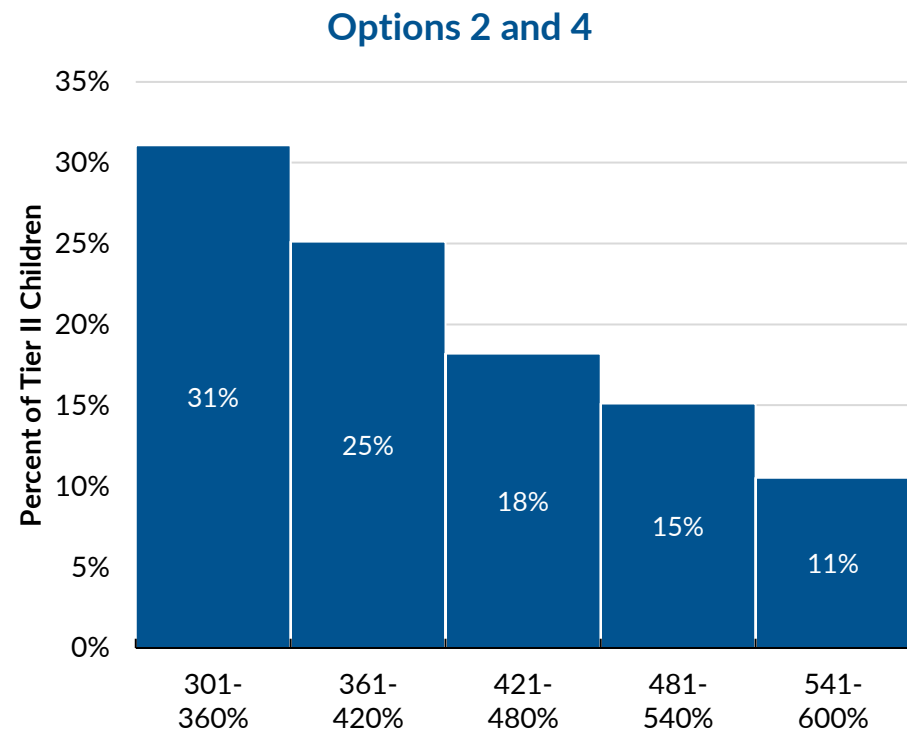
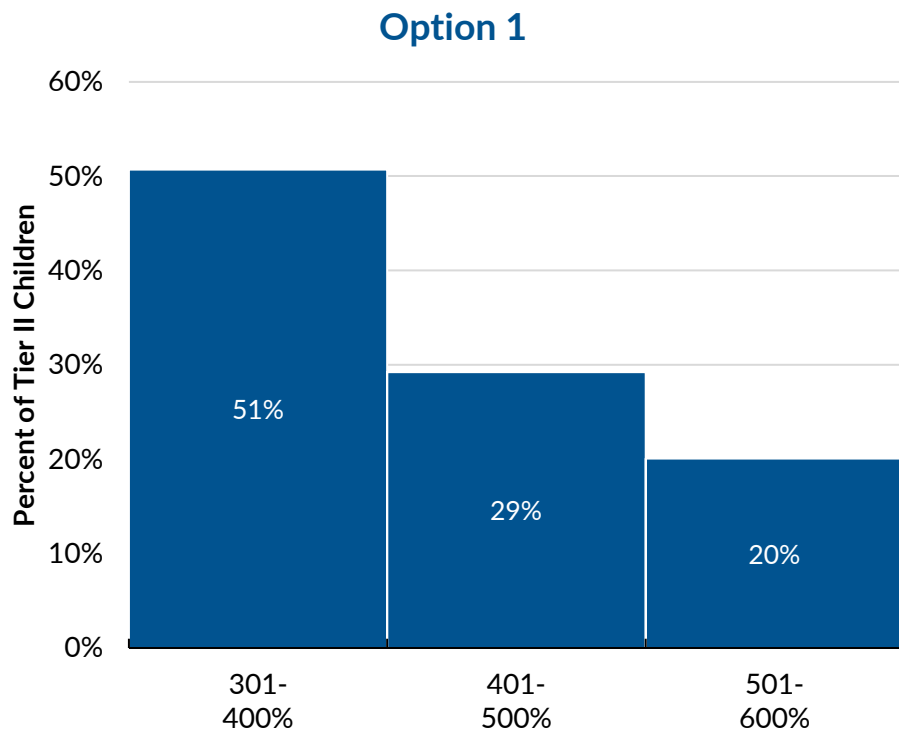
Of that subset, **16,762 students (87.5%) are identified as Tier I**, with family incomes at or below 300% of the FPL. These children would qualify for **access to full-day Pre-K at no cost**, with contributions by State and local governments.

Number of students for each income Tier based on 2023 enrollment

Option	Tier I	Tier II	Tier III	Missing Data
Number of students	16,762	1,748	652	11,556
Percent of students	54.6%	5.7%	2.1%	37.6%

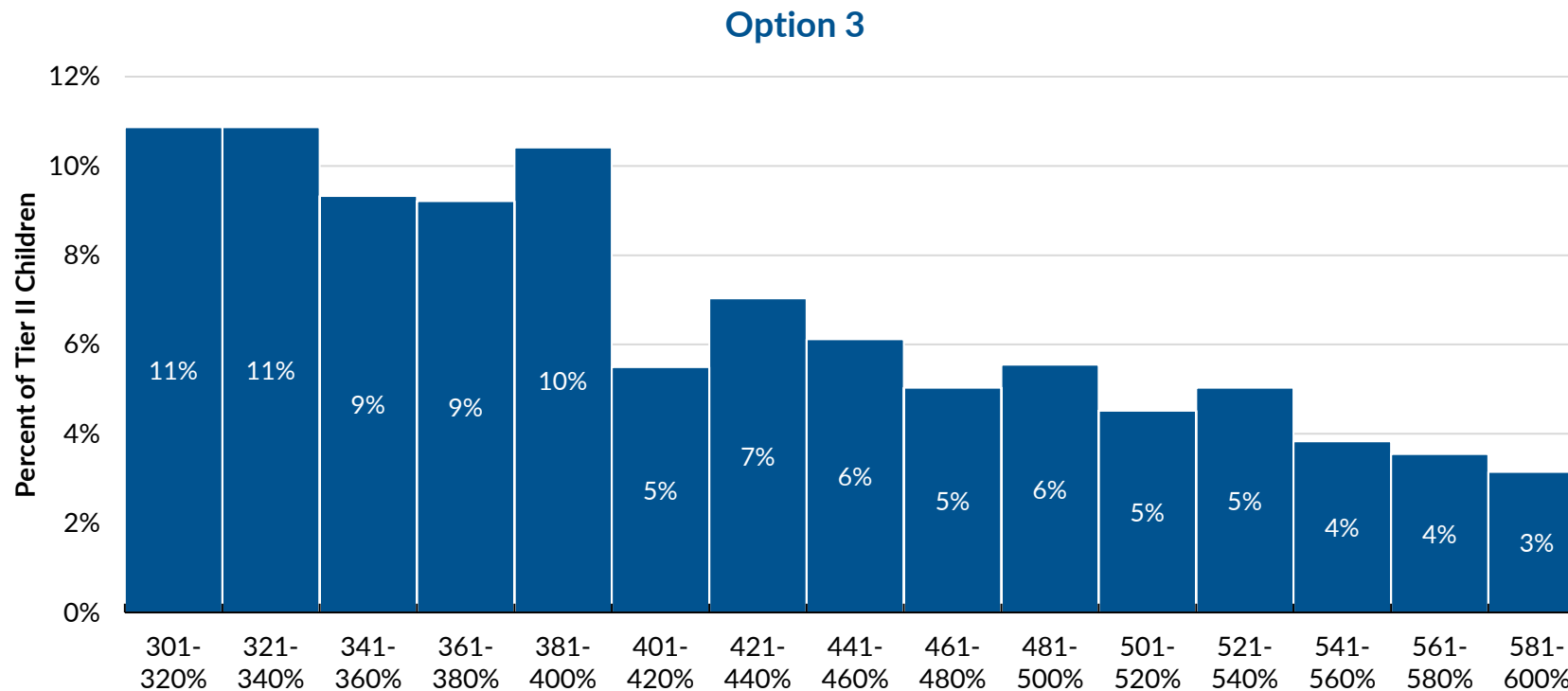
Tier II Distributions: Options 1, 2, & 4

Most Tier II students are in the lower income side of the Tier. Regardless of option, the percentage of students in the 301% - 400% FPL range is **nearly double** that of students in the 500% - 600% FPL range.



Tier II Distributions: Option 3

Most Tier II students are in the lower income side of the Tier. Regardless of option, the percentage of students in the 301% - 400% FPL range is **nearly double** that of students in the 500% - 600% FPL range.



Modeled Cost Option Comparison

Of the four proposed options, **Option 1 predicts the highest cost** to Tier II families, whereas **Option 4 predicts a substantially lower cost** to families.

Total contribution from all eligible Tier II families was calculated to estimate the cost differences under each program option. The total State and local contribution for all options **are within ~\$2 million of each other**.

Prekindergarten family cost option comparison for Tier II families¹

Option	Total Tier II Family Contribution (FPL 301 – 600%)	Total State & Local Contribution	Family to State & Local Contribution % ²
Option 1	\$9,625,860	\$13,103,384	42.4%
Option 2	\$9,042,355	\$13,686,889	39.8%
Option 3	\$9,034,788	\$13,694,456	39.7%
Option 4	\$7,341,226	\$15,388,018	32.3%

¹Contribution amounts are based on school year 2022-2023 school enrollment data.

²Percent of the family contribution relative to the state and local contribution.

Modeled Cost Option Comparison

Option 1 is the most expensive option for lower-income families.

When Option 3 is aggregated to the share structure of Option 1, **Option 1 disadvantages lower-income households**, with about **\$776 thousand more (+36.9%)** contributed by families within 301 – 400% FPL.

Prekindergarten family cost option comparison between Options 1 and 3

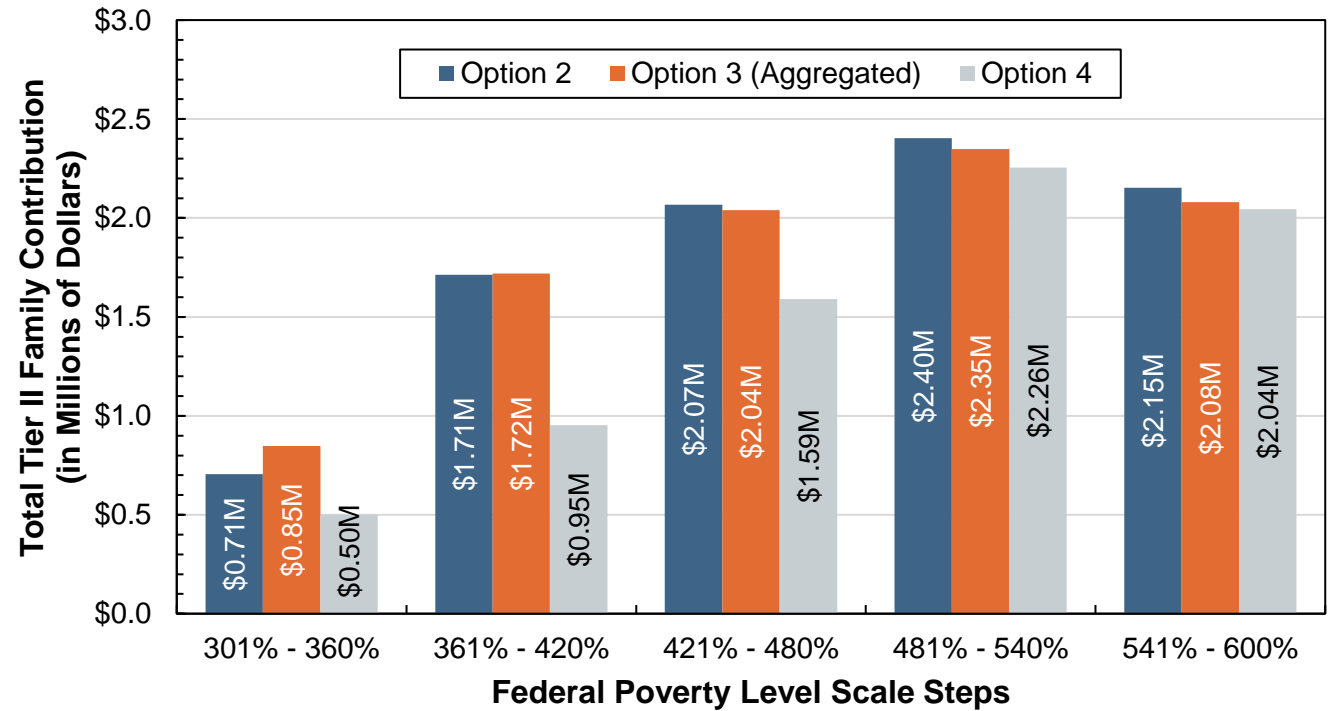
Option	301 – 400%	401 – 500%	501 – 600%
Option 1	\$2,880,386	\$3,322,522	\$3,422,952
Option 3 (Aggregated)	\$2,104,426	\$3,284,083	\$3,646,279
Relative Percent Change ¹	36.9%	1.2%	-6.1%

¹Percent change relative to Option 3 (aggregated) = (Option 1 – Option 3)÷|Option 3|
Note: Red fields identify options that cost >\$200 thousand more for a share step over the compared option.

Modeled Cost Option Comparison

Option 4 provides the best overall cost advantage for Tier II families, particularly for lower-income households.

When family share-structure contributions are compared, **Option 3 results in higher contributions from lower-income households** when compared to Option 2.

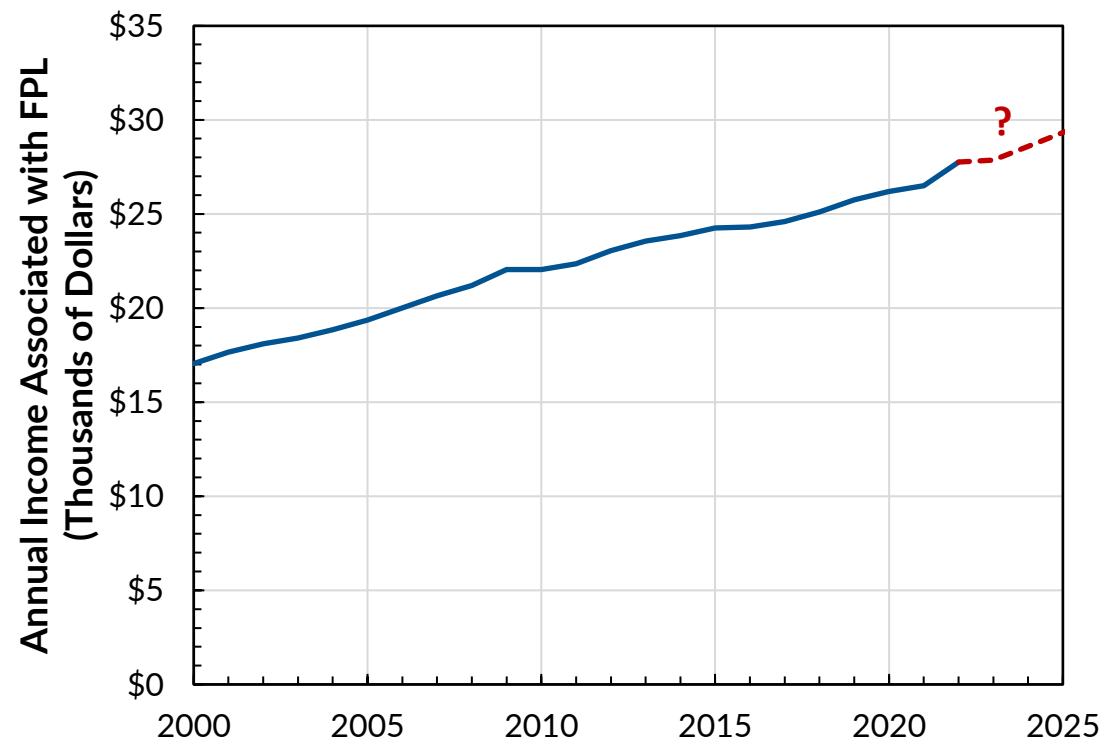


Assumptions and Caveats


Modeling assumptions and caveats include:

- Cost of care reported for Option 4 is estimated assuming a family of four (FPL is dependent upon family size, and this information isn't available in the enrollment file) and **changes in family cost share is sensitive to annual changes in FPL.**
- Costs reported **only includes students with FPL data available** and is likely an **underrepresentation** of the true total cost of care.

Federal Poverty Guidelines for a Family of Four in the Contiguous United States (2000–2022)



Source: Historical Federal Poverty Guidelines from the Department of Health and Human Services.

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Recommendation and Timeline

Based on the results of these analyses, MSDE recommends a sliding scale option that would minimize financial burden on Tier II families.

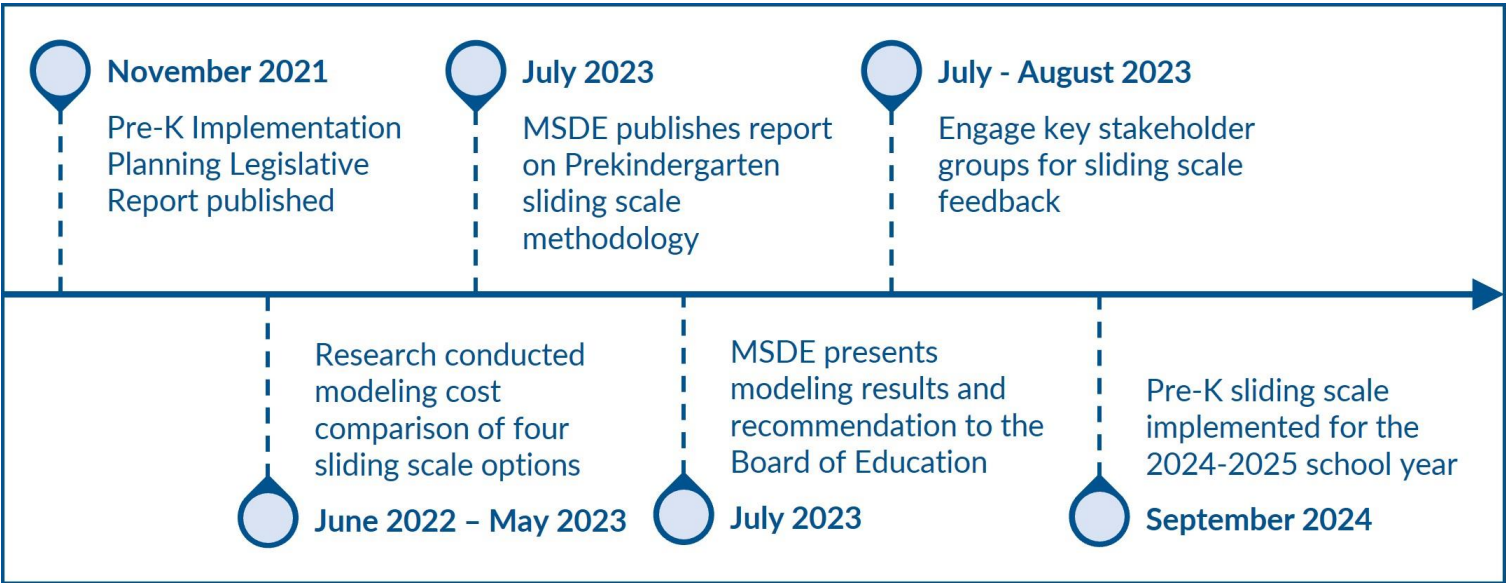
Recommendation

Guiding Question: Which sliding scale option is the least expensive for families?

- **Option 4 provides the best cost option for Tier II families** relative to the other three options available. In comparison with other sliding scales,
 - Of the three sliding scales where families pay a percent of the program cost, **Option 2 provides the best cost option** for families, particularly for those with lower incomes.
 - **Option 1 is the most expensive** for families overall, and both Options 1 and 3 disproportionately disadvantage lower-income households relative to the other available options.
- **MSDE recommends implementing sliding scale Option 4** for subsidizing cost of care for Maryland Pre-K.

Implementation Timeline and Next Steps

MSDE will engage with key stakeholders in July and August 2023 before publishing a final report on Pre-K sliding scale implementation in September 2023. The selected sliding scale will go into effect in the 2024-2025 school year.

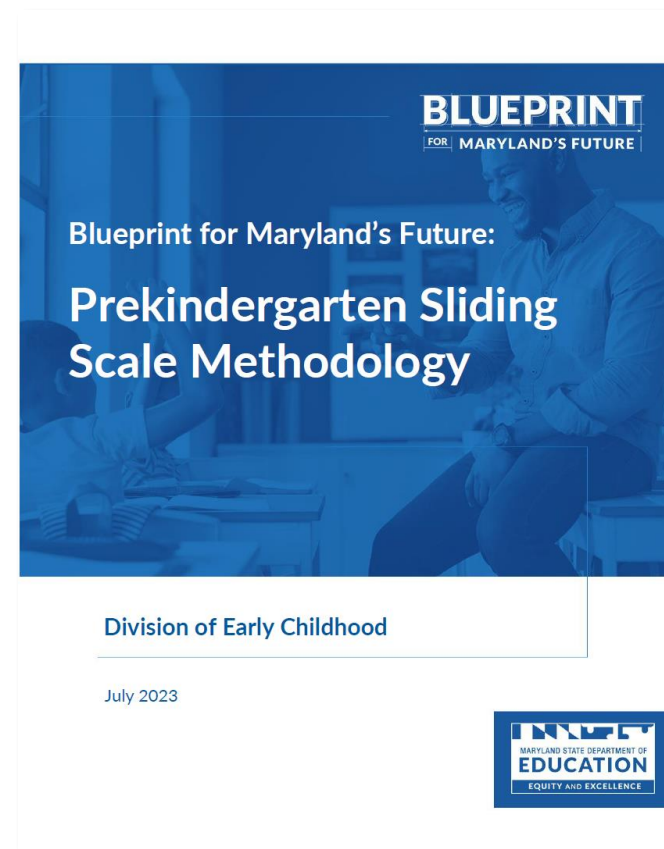


Stakeholder Engagement

Leading up to, and after the final methodology for the sliding scale has been published, MSDE will continue to **work with stakeholders for seamless implementation** of the sliding scale, including:

- Families
- LEA CFOs
- Pre-K providers
- The Governor's Office
- Maryland Department of Budget and Management
- The General Assembly's Department of Legislative Services
- Other relevant stakeholders

<https://blueprint.marylandpublicschools.org/wp-content/uploads/sites/20/2023/07/Pre-K-Sliding-Scale-Report-July2023.pdf>



Federal Update on Child Care Cost

On July 11, 2023, the Biden Administration released a Notice of Proposed Rulemaking (NPRM) regarding child care that would:

- Encourage states to **waive copayments for families at or below 150%** of the federal poverty level (the **Blueprint for Maryland's Future extends this waiver to families earning up to 300%** of the federal poverty level).
- Recommend a sliding scale that would **cap child care copayments** for working families at **no more than 7% of a family's income**, which is aligned to the option recommended in this presentation.
- Have **states provide advance payments to child care providers** for Child Care Scholarship. Only 8 states are currently doing this, with Maryland one of the first.
- Have **states use presumptive eligibility** for Child Care Scholarship. Maryland has implemented presumptive eligibility statewide after a successful pilot program.

<https://www.whitehouse.gov/briefing-room/statements-releases/2023/07/11/fact-sheet-vice-president-harris-announces-actions-to-lower-child-care-costs-and-support-child-care-providers/>

Questions