
TO: Members of the Education Policy Committee

FROM: Carey M. Wright, Ed.D., State Superintendent of Schools

DATE: August 13, 2026

SUBJECT: Child Care Scholarship Copayment Model

STRATEGIC PLAN ALIGNMENT:

Pillar 1: Early Childhood Education

Goal: Every child has access to a high-quality early childhood program.

Outcome:

- 1.A Increase student readiness for kindergarten annually as measured by the Kindergarten Readiness Assessment (KRA).
 - 1.B Increase kindergarten readiness rates for each student group.
 - 1.C Decrease gaps in kindergarten readiness between student groups.
 - 1.D Increase the count of 3-year-olds and 4-year-olds from Tier 1 households (low-income, children with disabilities, homeless, or children from homes in which English is not the primary spoken language) who are enrolled in high-quality (EXCELS rating of 3+) full-day pre-K.
 - 1.E Increase the count of 4-year-olds who are enrolled in high-quality (EXCELS rating of 3+) full-day pre-K.
-

Purpose

This presentation will provide a brief overview of the Child Care Scholarship Sliding Fee Scale Policy and its impact on families who pay Child Care Scholarship copayments.

Background

This Child Care Scholarship (CCS) Program Sliding Fee Scale Policy establishes the method for calculating family copayments in response to legislative requirements put forth in [HB 1321](#) of 2026.

HB 1321 establishes requirements for the Child Care Scholarship (CCS) Program sliding fee scale. If the Maryland State Department of Education (MSDE) chooses to charge participating families a copayment, the structure of the sliding fee scale (or copayment structure) must follow the requirements laid out in the bill.

Executive Summary

1. Background

- CCS provides financial assistance for low-income families to enroll in high-quality child care.

- Families and child care providers benefit from the consistent support of this program.
- CCS covers a portion of a family's child care expenses. The portion paid by families is called a copayment. These copayments are based on a sliding scale reflecting a family's income.
- CCS pays child care providers based on the market rate and factors including their region, program type, ages served, and quality rating.

2. HB 1321 Legislative Requirements

- This bill outlines requirements for copayment structure, including exemptions, sliding scales for increased family income, percentage caps, and discounts for families with multiple children receiving scholarships.
- Families who participate in certain public benefit programs or who have income below 100% of the Federal Poverty Line are exempt.

3. Policy Development Process

- The policymaking process has been informed by our Division's commitment to fiscal sustainability, clear communication, predictability and transparency, and reducing financial impacts for families and providers.
- Child care experts, administrators, and interest holders provided input to create the new board policy.

4. Overview of Board Policy

- The board policy lays out clear standards for copayment exemptions, the base copayment structure, adjustments and discounts, maximum family contribution, and a copayment chart.
- The sliding scale fee chart shows how copayments are calculated by household income.
- Multi-child discounts range between 10-50%. Part-time care adjustments are available in increments of 33 or 66%.

5. What Does This Mean for Families?

- Per-child copayments will range from \$0 to \$106.74 based on family income, and prior to discounts based on number of children and hours in care.
- Examples demonstrate payment amounts for two families with different incomes and different program types.
- Reducing the State's per child expenditures will allow Maryland to expand access to child care scholarships to more children and families across the state to mitigate the growing waitlist.

6. Next steps for implementation and phase-in of this policy

- The Sliding Fee Scale Policy will be implemented no sooner than January 1, 2027.
- MSDE will provide at least 90 days' notice to families and child care providers before the policy takes effect.

- All non-exempt families will be assessed a copayment by the end of calendar year 2027.

Action

MSDE requests feedback and permission to implement this policy.

Attachments

[DEC-CCS-Copayment.pptx](#)



Child Care Scholarship Copayment Model

Office of Early Childhood

Presented By | Sarah Neville-Morgan, Chief of Early Childhood
Ann Stock, Executive Director, Policy and Impact
Kelly Dwyer, Early Childhood Policy Advisor

August 13, 2026



MSDE Strategic Plan Goals

1

Every child has access to a high-quality early childhood program.

PILLAR 1: EARLY CHILDHOOD EDUCATION



Every student is matched with the resources they need to ensure their success.

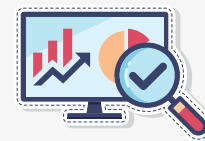
PILLAR 4: MORE RESOURCES FOR STUDENT SUCCESS

4

2

Every school has high-quality and diverse teachers and leaders.

PILLAR 2: HIGH-QUALITY & DIVERSE TEACHERS AND LEADERS



Every school and district receives a rating of ____ or higher.

PILLAR 5: GOVERNANCE AND ACCOUNTABILITY

5

3

Every student graduates high school college and career ready.

PILLAR 3: COLLEGE AND CAREER READINESS



Visit the Maryland State Department of Education website to learn more about the Strategic Plan!

strategicplan.marylandpublicschools.org



STRATEGIC PLAN ALIGNMENT



GOAL

Every child has access to a high-quality early childhood program.

1.A

Increase student readiness for kindergarten annually as measured by the Kindergarten Readiness Assessment (KRA.)

1.B

Increase kindergarten readiness proficiency rates for each student group.

1.C

Decrease gaps in kindergarten readiness between student groups.

1.D

Increase the count of 3-year-olds and 4-year-olds from Tier 1 households (low-income, children with disabilities, homeless, or children from homes in which English is not the primary spoken language) who are enrolled in high-quality (EXCELS rating of 3+) full-day Pre-K.

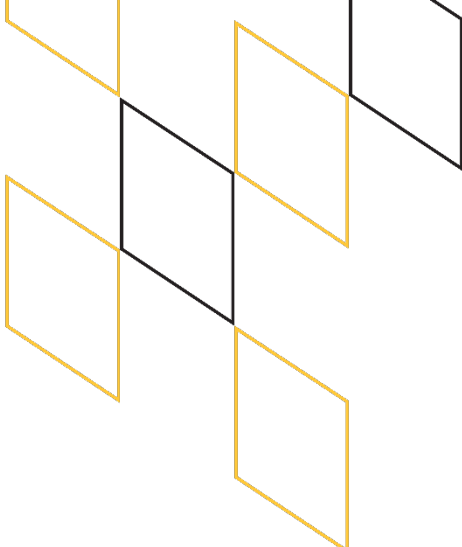
1.E

Increase the count of 4-year-olds who are enrolled in high quality (EXCELS rating of 3+) full-day Pre-K.



Presentation Outline

1. Background
2. HB 1321 Legislative Requirements
3. Policy Development Process
4. Overview of Board Policy
5. What Does This Mean for Families?



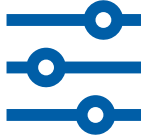
Sliding Fee Scale

Background

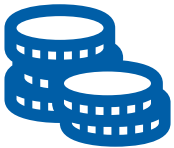
Sliding Fee Scale and Copayment



CCS covers a portion of child care costs by paying providers on a family's behalf. **The portion paid by families is called a copayment.**



Copayments are established on a sliding fee scale.



The portion CCS pays to child care providers is based on the results of a Market Rate Study and reflect costs in the county, program type, and the ages of children in care.



The total amount paid by families and CCS is calculated to provide maximum financial support for both families and child care providers.

Existing Copayment Model



CCS assigns a weekly per-child copayment based on the number of hours a child is in care



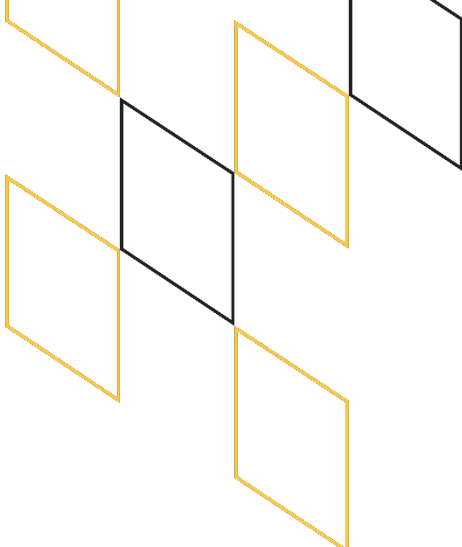
Families pay either \$1, \$2, or \$3 per week per child based on the number of hours of care the child is enrolled in.



Parents and providers must sign a copayment agreement.



MSDE does not currently subtract copayments from provider payment rates. Copayments are paid to providers on top of provider payment rates.



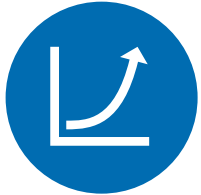
Sliding Fee Scale

HB 1321 Legislative Requirements

How do copayments have to be structured?



Families who participate in certain public benefit programs or who have income below 100% of the **Federal Poverty Line (FPL)** are exempt.



Families pay a larger percentage of their income as their income increases.



The sliding fee scale has enough income categories to gradually increase copayments as family income increases.



Copayments are capped at 7% of a family's income.



Families with more than one child receiving a scholarship receive a discount.

Who is exempt from copayments under state law?

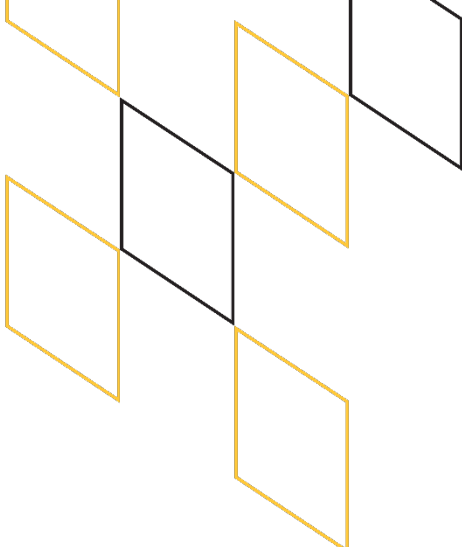
Families exempt from copayments will not be required to pay a monthly fee.

- Families receiving the following benefits:
 - WIC,
 - SNAP,
 - Federal Housing Choice Voucher,
 - SSI,
 - TCA
- Families that are employed or enrolled in an education or career training program;
- Families participating in the Youth Transition from Foster Placement to Successful Adulthood Program

Existing Requirement
under §9.5–113

- Individuals with an annual household income at or below the Federal Poverty Line (FPL)

New Requirement
under HB 1321



Sliding Fee Scale

Policy Development Process

Guiding Principles for Sliding Fee Scale

Fiscal Sustainability

**Simple, Clear
Communication**

**Acknowledging significant
changes for families and providers
while managing inherent
complexity of legislation in context
of federal requirements**

**Predictability for Families
and Providers**

Softening Benefits Cliffs

Interest Holder Engagement



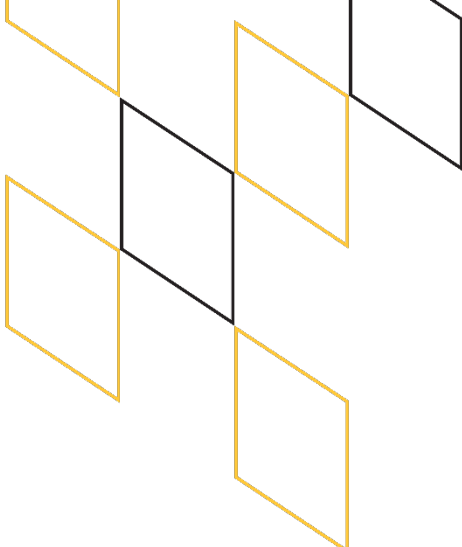
Child care experts, administrators, and interest holders provided input to create the new board policy.



Initial plans were shared and feedback was solicited at a special session of the Office of Child Care Advisory Council on June 12, 2026.



Fall 2026: Additional information sessions for child care providers and families.



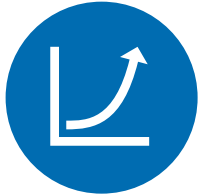
Sliding Fee Scale

Overview of Board Policy

Clear and Transparent Standards



Copayment exemptions based on income below poverty, and/or participation in assistance, education/training, or transition programs



Base copayment structure including a flat fee schedule for weekly payments and a graduated scale that adjusts for increased income



Adjustments and discounts that reduce copayments for families with multiple children or have children enrolled part-time



Maximum family contribution outlining how a payment cap is assessed



Copayment chart showing specific copayment amounts that families will be assessed per child based on their family's income

CCS Sliding Fee Scale Chart

Income Category	Family Income as % of State Median Income (SMI) or Federal Poverty Line (FPL)	Weekly Copayment
1	Up to 100% FPL	\$0
2	100% FPL - 29% SMI	\$10.58
3	30% - 34% SMI	\$16.12
4	35% - 39% SMI	\$22.67
5	40% - 44% SMI	\$30.23
6	45% - 49% SMI	\$38.80
7	50% - 54% SMI	\$48.37
8	55% - 59% SMI	\$58.95
9	60% - 64% SMI	\$70.54
10	65% - 69% SMI	\$83.13
11	70% - 74% SMI	\$96.74
12	75% SMI +	\$106.74

Adjustments and Discounts

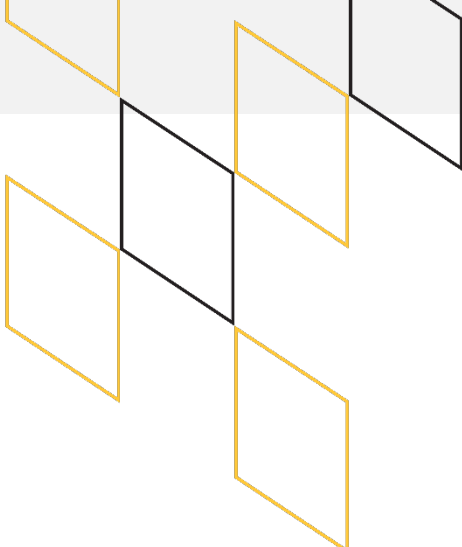
Families with more than one child participating in the CCS Program or who have children enrolled in part-time care arrangements will receive a discount.

Multi-Child Discount

- 2nd child in care: 10% discount
- 3rd child in care: 20% discount
- 4th child in care: 30% discount
- 5th child in care: 40% discount
- 6th + child in care: 50% discount

Part-Time Care Adjustment

- Children receiving 0 – 15 hours of care per week: 66% discount.
- Children receiving 16 – 29 hours of care per week: 33% discount
- Children receiving 30 + hours of care per week: no discount.

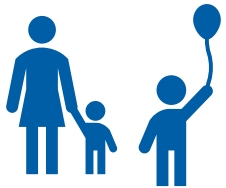


Sliding Fee Scale

Implications for Families

What does this look like for families?

Family Copayment



The Wyatt family has a single mom and two children. Their income of \$30,000 annually and part-time child care enrollment qualifies them for a **monthly copayment of \$27.65 per child (\$55.29 total).**

This is approximately **2.2% of their household income.**

CCS Provider Payment



The Wyatt family chooses to enroll in a child care center with a monthly provider payment rate of \$800 per child.

CCS will pay the payment rate minus the family's copayment.

$\$1,600 - \$55.29 = \textbf{\$1,544.71}$ each month

What does this look like for families and providers?

Family Copayment



The Hayes family has two parents and one child. Their income of \$70,000 and full-time child care enrollment qualifies them for a **monthly copayment of \$255.45**.

This is approximately **4.4% of their household income**.

CCS Provider Payment



The Hayes family chooses to enroll in a family child care home with a monthly provider payment rate of \$2,000 per child.

CCS will pay the provider the payment rate minus the family's copayment.

$\$2,000 - \$255.45 = \textbf{\$1,744.55}$ each month

Implementation Timeline

The Sliding Fee Scale Policy will be implemented no sooner than January 1, 2027.

MSDE will provide at least 90 days' notice to families and child care providers before the policy takes effect.

Once the policy goes into effect, MSDE will phase in collection as follows:

- Collect copayments from newly enrolled families upon enrollment;
- Collect copayments from currently enrolled families at their redetermination date if it occurs during calendar year 2027; and
- Collect copayments from all remaining families 12 months after their redetermination date.

Under this phased-in approach, all families will be assessed a copayment by the end of calendar year 2027.



Child Care Scholarship Sliding Fee Scale

In fulfillment of requirements of HB 1321 (2026)

State Board of Education

August 2026

MARYLAND STATE DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.

State Superintendent of Schools

Sarah Neville-Morgan

Chief of Early Childhood

Division of Early Childhood

Wes Moore

Governor

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Purpose

This Child Care Scholarship (CCS) Program Sliding Fee Scale Policy establishes the method for calculating family copayments in response to legislative requirements put forth in [HB 1321](#) of 2026.

HB 1321 establishes requirements for the Child Care Scholarship (CCS) Program sliding fee scale. If the Maryland State Department of Education (MSDE) chooses to charge participating families a copayment, the structure of the sliding fee scale (or copayment structure) must follow the requirements laid out in the bill. These requirements include:

- Exempting families who participate in certain public benefit programs or who have income below 100% of the Federal Poverty Line (FPL) from copayments;
- Requiring families pay an increased percentage of their annual household income as their income increases;
- Establishing a sliding fee scale with enough income categories to gradually increase copayments as family income increases;
- Capping copayments at 7% of a family's income; and
- Providing a discount for families with more than one child receiving a scholarship.

This policy will describe the sliding fee scale that will be implemented and explain how the policy meets the requirements laid out in HB 1321.

Background

Maryland's Child Care Scholarship (CCS) Program is funded through a mix of state funds and federal dollars from the [Child Care and Development Fund](#) (CCDF). The program provides financial assistance to Maryland families that meet [basic eligibility requirements](#) to help them enroll their children in quality child care settings. CCS helps:

Children receive quality early care and education that best fits their developmental and learning needs;

Families access child care which allows parents and guardians to work, attend school, and/or participate in a training program; and

Child care providers receive consistent and reliable compensation for providing care to a wide range of families and obtain additional reimbursements when they reach higher [Maryland EXCELS](#) quality levels.

SLIDING FEE SCALES AND COPAYMENTS

Child care scholarships cover a portion of child care costs for participating families by paying eligible providers for care provided to children who have been approved for a scholarship. Families are also required to pay a part of the cost of child care, referred to as a copayment. Copayments are typically established by a sliding fee scale, and are explicitly allowed under [federal CCDF regulations](#), which give states the flexibility to establish and periodically revise a sliding fee scale for families that receive child care assistance.

MSDE pays providers for care provided through the program using standard provider payment rates. These rates are updated regularly based on the results of a Market Rate Survey, which collects price information from licensed child care providers across the state to determine the payment rate required for child care providers to meet health, safety, staffing, and quality standards. The Market Rate Survey is required by [federal](#) and [state statute](#). [Base payment rates](#) vary by county, type of facility, and age of child in care. Providers meeting certain quality standards through Maryland EXCELS are eligible to receive an [enhanced payment rate](#).

Both the base payment rate and the enhanced payment rates reflect the maximum amount a provider meeting the specified criteria can be paid. When a family's copayment is calculated using the sliding fee scale, the calculated amount is subtracted from the established rate and reduces the amount the State pays to the child care provider. When a family's copayment and the State's payments are combined, it will total the maximum payment rate.

APPROACH TO DEVELOPING THE REVISED SLIDING FEE SCALE

The State's copayment policy that was in place prior to enactment and implementation of HB 1321, assigned families a copayment based on the number of hours of care their child was enrolled in each week, and is as follows:

Children receiving 0 – 15 hours of care per week were assigned a \$1 copayment.

Children receiving 16 – 29 hours of care per week were assigned a \$2 copayment

Children receiving 30 + hours of care per week were assigned a \$3 copayment.

Under the prior model, the weekly fee did not vary by family size or income and the State paid most child care costs for participating children.

The CCS Program began operating a waitlist for new scholarships on May 1, 2025. There were nearly 8,000 children on the CCS waitlist by the end of State Fiscal Year 2026. HB 1321 directs MSDE to establish a sliding fee scale that accounts for family income when setting copayment amounts to more evenly distribute child care costs across participating families and the State. Reducing the State's per child expenditures will allow Maryland to expand access to child care scholarships to more families and children across the state to mitigate the growing waitlist.

HB 1321 set guardrails for the sliding fee scale but left implementation decisions up to the Department, which are captured in this Sliding Fee Scale Policy. During the development of the Sliding Fee Scale Policy, MSDE sought to achieve the following:

- *Continue to exempt certain families from copayments:* Current Maryland law (§9.5–113) requires that families enrolled in any one of several benefit programs are categorically exempt from paying copayments. The revised copayment structure will maintain exemptions for these priority groups in addition to newly exempting all families with income below FPL.
- *Minimize impact on Maryland's lowest-income families:* The new sliding fee structure will newly exempt all families with income at or below FPL from copayments and cap copayments for all families at 7% of income. The new structure gradually increases the amount families pay in alignment with family income, distributing costs among the range of participants in the program.
- *Implement structure in consideration of provider and family needs:* MSDE will implement the new sliding fee scale no earlier than January 1, 2027, to maintain stability for providers, who rely on

predictable copayments when planning operational expenses and for families, who incorporate child care costs into their household budgets. The final implementation date will be determined by the feedback MSDE receives from community members and from MSDE's CCS IT and payment system vendors who support these systems.

INTEREST HOLDER ENGAGEMENT

The Department engaged national child care experts, child care program administrators from other states, and Maryland interest holders to develop this policy. On June 12, 2026, the Department convened a special session of the Office of Child Care Advisory Council to share initial concepts for the revised sliding fee scale and gather feedback from child care providers, families, and advocates. The Department will also host additional informational sessions for child care providers and families in Fall 2026 to explain the final Sliding Fee Scale.

Definitions

Child Care Scholarship Program. The Child Care Scholarship (CCS) Program provides financial assistance to eligible Maryland families to help them pay for child care. The program is operated by the Maryland State Department of Education's (MSDE) Division of Early Childhood (DEC).

Copayment. The designated, state-assigned portion of child care costs that an eligible family pays directly to their child care provider each week. Copayments can also be referred to as family fees or family contributions.

Federal Poverty Line (FPL). A federal economic standard updated annually by the U.S. Department of Health and Human Services based on household size. It serves as a benchmark for income eligibility and targeted assistance across federal and state public benefit programs.

Provider Payment Rate. The standardized reimbursement rate paid directly to participating child care providers for providing care to participating children. These rates are established by MSDE using regional market rate surveys to help ensure CCS families have access to quality child care programs.

Scholarship. The official voucher or authorization certificate issued by the CCS Program once a family is approved. It acts as a formal financial agreement between the State, the parent, and the participating child care provider detailing the authorized units of care, the state subsidy rate, and the family's copayment.

Sliding Fee Scale. A tiered income system used by the state to assign family copayments. As family income increases, a family's copayment responsibility will also increase to reflect the additional financial resources the family has available to pay for child care.

State Median Income (SMI). The midpoint income level for families of a given size across the state. Half of all households earn more and half earn less than the state median income. Maryland uses percentages of SMI to set income eligibility limits for initial eligibility and ongoing participation in the CCS program.

Policy Standards

The objective of this policy is to ensure predictable copayments for families and child care providers, evenly distribute copayments across participating families based on income, expand access to child care by supporting more families, and maintain fiscal stability for the Child Care Scholarship Program.

COPAYMENT EXEMPTIONS

Income Below Poverty: Families with income at or below the [Federal Poverty Line](#) (FPL) will not be required to pay a copayment. The sliding fee scale begins assigning copayments once income exceeds the FPL. The year of poverty thresholds used to determine this exemption will be updated annually.

Participation in Other Programs: Families that verify they participate in the following programs during the application process are not required to pay a copayment:

- Federal Special Supplemental Food Program for Women, Infants, and Children (WIC);
- Federal Supplemental Nutrition Assistance Program (SNAP);
- Federal Housing Act Housing Choice Voucher Program;
- Supplemental Security Income (SSI);
- Temporary Cash Assistance (TCA/TANF);
- Education or career training program; or
- Participation in the Youth Transitioning From Foster Placement to Successful Adulthood Program.

BASE COPAYMENT STRUCTURE

Flat Fee Schedule: Family copayments will be assessed as a flat weekly dollar amount per child.

Graduated Scale: Copayment amounts are assigned per- child across twelve distinct income tiers based on household size and FPL/SMI. Copayments gradually increase as household income transitions into higher tiers.

ADJUSTMENTS & DISCOUNTS

Multi-Child Discount: Families with more than one child participating in the CCS Program will receive a reduced copayment for their second and subsequent children. This approach lessens the financial burden on larger households and aligns with common practice in the private market. The discount is applied as follows:

- 2nd child in care: 10% discount
- 3rd child in care: 20% discount
- 4th child in care: 30% discount
- 5th child in care: 40% discount
- 6th + child in care: 50% discount

Part-Time Care Adjustment: Copayments for children enrolled in part-time care arrangements will be discounted based on the number of hours they attend their child care setting each week. This structure

aligns family contributions with MSDE's provider payment rate policies. The discount is applied as follows:

- Children receiving 0 – 15 hours of care per week: 66% discount.
- Children receiving 16 – 29 hours of care per week: 33% discount
- Children receiving 30 + hours of care per week: no discount.

MAXIMUM FAMILY CONTRIBUTION

7% Copayment Cap: No family will be assessed total weekly copayments exceeding 7% of their family's income after all children's copayments are calculated and discounts are applied. This cap is calculated as follows:

- A family's total required contribution is calculated as the lesser of:
 - the sum of each child's individual child flat-fee copayment, including multi-child and part-time care discounts, or
 - 7% of the family's income.

If the sum of assessed copayment amounts for all enrolled children in a household exceeds 7% of family income, the program will adjust the final copayment downward to match the 7% threshold. The adjusted amount will then be distributed evenly among all children in care.

COPAYMENT CHART

MSDE will publish the full copayment chart on the Division of Early Childhood's website. The table below outlines the specific copayment amounts that families will be assessed per child based on their family's income. Specific income amounts used to set each threshold may change based on annual changes in FPL and SMI.

Income Category	% SMI/FPL	Weekly Copayment (prior to discounts based on number of children in care and care hours)
1	Up to 100% FPL	\$0
2	100% FPL - 29% SMI	\$10.58
3	30% - 34% SMI	\$16.12
4	35% - 39% SMI	\$22.67

Income Category	% SMI/FPL	Weekly Copayment (prior to discounts based on number of children in care and care hours)
5	40% - 44% SMI	\$30.23
6	45% - 49% SMI	\$38.80
7	50% - 54% SMI	\$48.37
8	55% - 59% SMI	\$58.95
9	60% - 64% SMI	\$70.54
10	65% - 69% SMI	\$83.13
11	70% - 74% SMI	\$96.74
12	75% SMI +	\$106.74

IMPLEMENTATION TIMELINE

The Sliding Fee Scale Policy will be implemented no sooner than January 1, 2027. MSDE will provide at least 90 days' notice to families and child care providers before the policy takes effect. Once the policy goes into effect, MSDE will phase in copayment collection as follows:

- Collect copayments from newly enrolled families upon enrollment;
- Collect copayments from currently enrolled families at their redetermination date if it occurs during calendar year 2027; and

- Collect copayments from all remaining families 12 months after their redetermination date.

Under this phased-in approach, all families will be assessed a copayment by the end of calendar year 2027. This timeline aligns with [federal regulations](#) and ensures adequate notice to families

Responsibilities

PROVIDER RESPONSIBILITIES

- Child care providers will establish the method and frequency for collecting copayments and communicate these policies to families at enrollment.
- Child care providers will monitor and track family payments.
- Child care providers may charge additional fees above the family copayment amount if the full payment rate does not meet their private pay rate; however, doing so is optional.
- Child care providers will notify MSDE in cases of excessive non-payment by families.

FAMILY RESPONSIBILITIES

- Families will pay their assigned copayment using a mutually agreed-upon method and on a schedule established with their selected provider.

MARYLAND STATE DEPARTMENT OF RESPONSIBILITIES

- MSDE will notify families of the change to the copayment structure no fewer than 90 days before implementation, in accordance with HB 1321.
- By December 1, 2027, MSDE will submit a report detailing the income bands used to generate copayments, the number of scholarships in each income band, and the average copayment in each income band.
- MSDE will review copayment income thresholds and amounts annually. If updates are needed, MSDE will notify the State Board and Maryland General Assembly.
- If a family has more than one child care provider, MSDE will determine how the family's total copayment should be allocated across providers and adjust provider payments accordingly.
- MSDE will update COMAR to address outstanding unpaid parent fees (copayments), and to resolve disputes related to unpaid fees.

MARYLAND STATE BOARD OF EDUCATION RESPONSIBILITIES

- Review and approve the Sliding Fee Scale Policy developed by MSDE.
- Review the implementation of this policy to ensure it supports expanding access to child care while maintaining affordability for program participants, using CCS Program data and reports to inform that review.