Maryland
STATE DEPARTMENT OF EDUCATION

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

TO: Members of the State Board of Education

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

DATE: January 28, 2025

SUBJECT: Updated Methodology for the Prekindergarten Sliding Scale

Executive Summary

The Maryland State Department of Education (MSDE) is introducing a revised Pre-K sliding scale methodology aimed at simplifying family contributions, aligning with recent legislative changes, and ensuring long-term fiscal sustainability. Although the State Board approved the original sliding scale in February 2024, its implementation was postponed by the General Assembly's actions in the spring 2024 Budget Reconciliation and Financing Act (BRFA), deferring the rollout to the 2025–2026 school year.

The new proposal introduces a five-tier sliding scale for families with incomes between 301% and 600% of the Federal Poverty Level (FPL), categorized as Tier II families. This revised structure maintains a cap on family contributions, ensuring family share payments do not exceed 7% of a family's annual income per child. Depending on their income level, families will contribute between approximately 1.3% and 7% of their annual income, with the lower end benefiting from minimal contributions and the upper end capped at the maximum rate.

Maryland is using the 7% family share cap, derived from the federal Child Care and Development Fund (CCDF) regulations, to ensure Pre-K remains affordable and accessible for families while aligning Pre-K with established best practices in child care policy. Maryland's decision to implement the 7% family share cap per child rather than per family reflects a pragmatic approach to balancing efficiency and affordability with the fiscal realities of expanding Pre-K.

In addition, this new proposal responds to stakeholder feedback, reduces administrative complexity, and accommodates the accelerated phase-in of the Pre-K per pupil rate, which will reach the full cost of quality in FY 27, instead of in FY 30. This streamlined model provides a more sustainable distribution of costs for state and local governments while continuing to maintain affordability for families whose incomes fall in Tier II. In the 2025–2026 school year, only a portion of the sliding scale for families between 301% and 360% of FPL will be implemented. The full sliding scale for all Tier II families will be implemented in the 2026–2027 school year.

Background and Process

MSDE proposes an updated Pre-K sliding scale methodology to enhance affordability, simplify administration, and align with legislative changes. The new five-level sliding scale caps family contributions at 7% of their income per child, addressing concerns about the complexity of the previous model and ensuring sustainable cost-sharing as Pre-K per pupil rates increase at an accelerated rate. (Please see attached PowerPoint presentation for proposed sliding scale methodology for FY 26 and for FY27 and beyond.)

The key highlights of the proposal include:

- **Simplification:** The new methodology reduces administrative burdens for local education agencies (LEAs) and Pre-K private providers by offering a straightforward, tiered structure based on family income levels. In the previous sliding scale, each family's family share payment would be individually customized by calculating a percentage of their annual income, rather than by where the family's income falls within the five levels.
- **Affordability and Sustainability**: Families in Tier II (301%–600% of FPL) will continue to not pay more than 7% of their income per child, making high-quality Pre-K more accessible while also maintaining the fiscal sustainability of Maryland's Pre-K program.
- **Legislative Alignment:** The methodology adjusts to the accelerated phase-in of the Pre-K per pupil rate, which rises significantly over the next two years. See the rate increase in the attached PowerPoint presentation.

Action Requested

MSDE requests the State Board adopt the proposed five-level Pre-K sliding scale methodology. The new methodology ensures no family pays more than 7% of their income per child, providing an affordable, sustainable, and straightforward approach to Pre-K funding and family share.

Attachments

MSDE-State-Board-Pre-K-Sliding Scale Methodology.pdf

Division of Early Childhood

Prekindergarten Sliding Scale Methodology

January 28, 2025

Presented By | Dr. Shayna Cook, Assistant State Superintendent, Division of Early Childhood
Donna Gunning, Assistant State Superintendent, Office of Finance
Dr. Matthew Duque, Director, Office of Research

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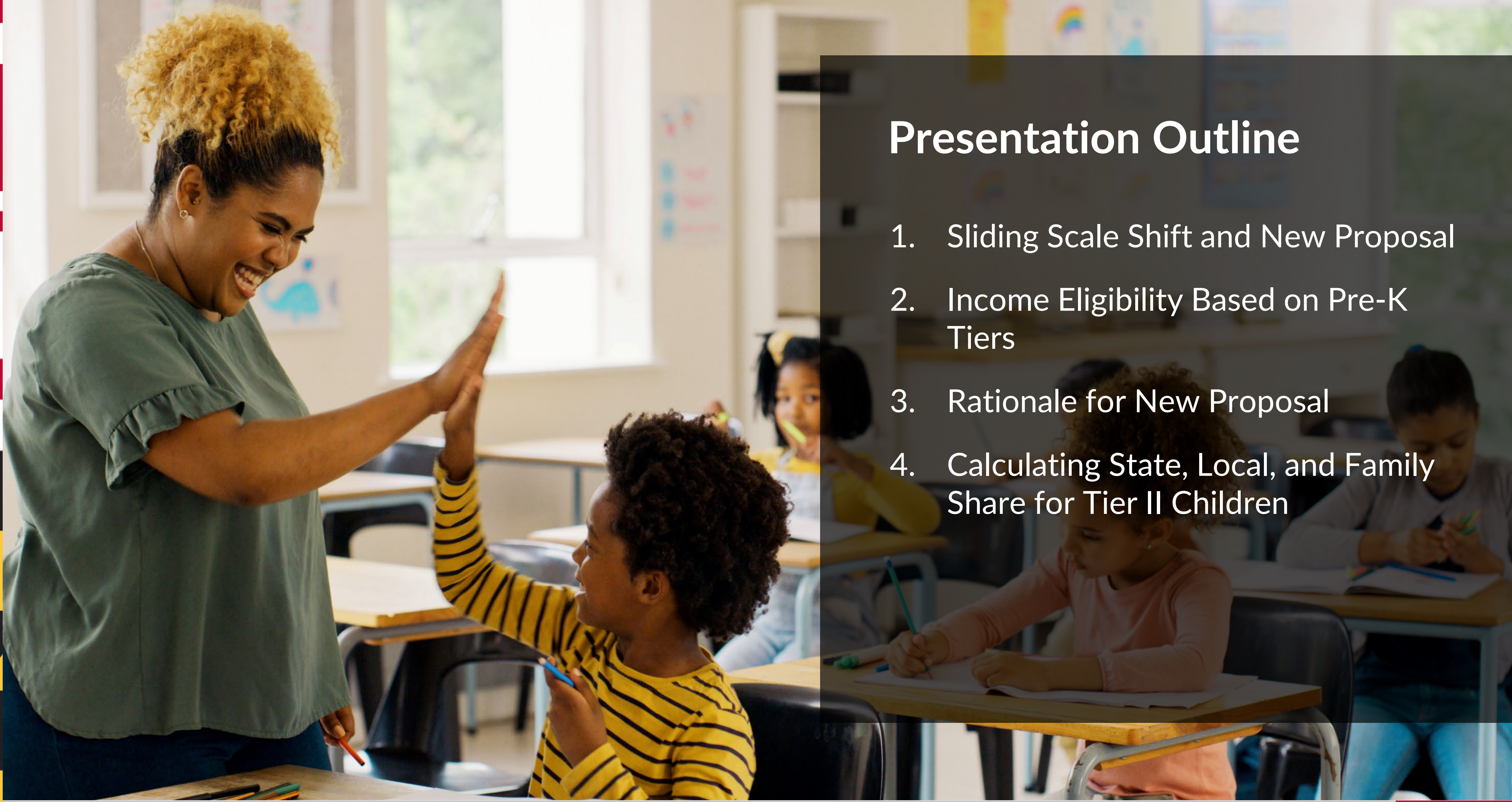

Presentation Outline

1. Sliding Scale Shift and New Proposal
2. Income Eligibility Based on Pre-K Tiers
3. Rationale for New Proposal
4. Calculating State, Local, and Family Share for Tier II Children

Development of the Pre-K Sliding Scale

- The Blueprint directed the Maryland State Department of Education (MSDE) to **implement a sliding scale to calculate the family share of the Pre-K costs for Tier II families** in the 2024–2025 school year**.**
- MSDE **gathered input from a variety of stakeholders**, including local education agencies (LEA), private providers/community-based providers, and families from July 2023 through January 2024.
  - In addition, input sessions were held with local education agency (LEA) Chief Fiscal Officers (CFOs), current Pre-K providers, the Governor's Office, Maryland Department of Budget and Management, and the General Assembly's Department of Legislative Services.
- The north star for the Pre-K Sliding Scale is to choose an option that is **least expensive for families.**
  - **The Pre-K Sliding Scale is based on a family's income and will not exceed 7% of a family's gross annual income per child.** Maryland is using the 7% family share cap, derived from the federal Child Care and Development Fund (CCDF) guidelines, to ensure Pre-K remains affordable and accessible for families while aligning with established best practices in child care policy. However, Maryland's decision to implement the 7% family share cap per child rather than per family reflects a pragmatic approach to balancing affordability with the fiscal realities of expanding Pre-K.

Income Eligibility Based on Pre-K Tiers

Tier	Eligibility	Program Details
1	3- or 4-year-old children from families with a gross annual income ≤ 300% of the Federal Poverty Level (FPL) or children experiencing homelessness. For FY 25 and FY 26 only, children with disabilities and multilingual learners who are Tier II eligible.	High-quality, full-day Pre-K is available at no charge to Tier I families.
2	4-year-old children from families with a gross annual income > 300% of FPL but ≤ 600% of FPL.	High-quality, full-day Pre-K is available at a subsidized cost, on a sliding scale, for Tier II families. According to the Budget Reconciliation and Financing Act of 2024 (pg. 12), in FY 26 only, only part of the sliding scale will be implemented. Families whose annual income is between 301% through 360% FPL will be eligible to enroll in Pre-K programs.
3	4-year-old children from families with a gross annual income > 600% of FPL.	High-quality, full-day Pre-K is available at the full cost of the program for Tier III families.

Current Sliding Scale

- In February 2024, the State Board approved the current Pre-K sliding scale which limits the family share for each child to between 1% and 7% of the families' annual income.
- This methodology was selected because the cost modeling consistently resulted in the lowest cost to families and limited the family share to 7% of a family's annual income per child.
- The sliding scale was not implemented due the Budget Reconciliation and Financing Act (BRFA) actions by the General Assembly in spring 2024.
  - The BRFA limited prekindergarten in the 2024–2025 school year to Tier I students only.
  - For the 2025-2026 school year, the BRFA limited prekindergarten funding to families with an annual income up to 360% of the federal poverty level (FPL). The sliding scale begins at 301% of FPL.
  - In addition, the BRFA accelerated the phase-in of the prekindergarten per pupil amount. In the BRFA, next year the per pupil rate is $14,473 as expected; however, Maryland will reach the full per pupil rate in FY 27 at $19,950, instead of in FY 30, and the rate is even higher than anticipated.

Original Per Pupil Rate Increase in Statute: https://mgaleg.maryland.gov/mgawebsite/Laws/StatuteText?article=ged&section=5-229&enactments=false and New Per Pupil Rate Increase in Statute: https://govt.westlaw.com/mdc/Document/N478D6720221D11EF8A1C827E8BA37429?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)

Acceleration of the Per Pupil Rate

Original Per Pupil Rate Increase		New Accelerated Per Pupil Rate Increase	
FY 25 (Current)	$13,003	**FY 25 (Current)**	$13,003
FY 26	$14,473	**FY 26**	$14,473
FY 27	$15,598	**FY 27 (Cost of Quality)**	$19,950
FY 28	$16,811	**FY 28**	$19,950
FY 29	$18,118	**Beyond FY 29**	In fiscal year 2029 and each fiscal year thereafter, the per pupil amount for the prior fiscal year increased by the inflation adjustment rounded to the nearest whole dollar.
FY 30 (Cost of Quality)	$19,526		
Beyond FY 30	In subsequent fiscal years, the per pupil amount for the prior fiscal year increased by the inflation adjustment rounded to the nearest whole dollar.		

Original Per Pupil Rate Increase in Statute: https://mgaleg.maryland.gov/mgawebsite/Laws/StatuteText?article=ged&section=5-229&enactments=false and New Per Pupil Rate Increase in Statute: https://govt.westlaw.com/mdc/Document/N478D6720221D11EF8A1C827E8BA37429?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)

New Sliding Scale Methodology Proposal

- MSDE is proposing a **new recommendation** for the Pre-K sliding scale methodology.
- This shift is driven by several key considerations, including updated data, ongoing stakeholder feedback, sustainability and fiscal responsibility, and legislative changes, which include a rapid increase in the Prekindergarten per pupil rate.
- MSDE is recommending this change for the following reasons:
  - Simplification
  - Rapid Increase in the Pre-K Per Pupil Rate
  - Stakeholder Feedback
  - Impact on Families

Original Per Pupil Rate Increase in Statute: https://mgaleg.maryland.gov/mgawebsite/Laws/StatuteText?article=ged&section=5-229&enactments=false and New Per Pupil Rate Increase in Statute: https://govt.westlaw.com/mdc/Document/N478D6720221D11EF8A1C827E8BA37429?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)

Simplification

- The new methodology simplifies the structure from providing an individual family share for each student, to a five-level sliding scale with a more gradual progression of family contribution based on income. **Families should find this approach easier to understand**, and **LEAs and private providers will benefit from reduced administrative complexity**.

Rapid Acceleration of the Phase-in of the Pre-K Per Pupil Rate

- During last year's legislative session, the legislature accelerated the phase-in, and the **Pre-K per pupil rate increased from $13,003 in FY 25 to $14,473 in FY 26 and to $19,950 in FY 27.**

- **The five level sliding scale will help distribute the financial responsibility more sustainably, particularly as Pre-K costs increase rapidly over the next two fiscal years.**

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Stakeholder Feedback

- LEAs and private providers have expressed **concerns about the complexity of administering** the current sliding scale, particularly with income verification and the variability in family contributions.
- The new proposal's **simpler, five-level structure will alleviate these concerns**, providing greater transparency and ease of implementation for all stakeholders.

Impact on Families

- The new proposal continues to ensure that no family pays a family share for Pre-K above 7% of their income for each child in the program. Maryland’s decision to implement the 7% family share cap per child rather than per family reflects a pragmatic approach to balancing efficiency and affordability with the fiscal realities of expanding Pre-K.
- In addition, per statute, beginning in the school year 2025–2026, a county board may waive up to 100% of the family share. Pre-K private providers have the same ability to waive up to 100% of the family share.

Proposed Sliding Scale – FY26

- In FY26, only families in the 301%–360% FPL range will be eligible for the sliding scale. The table below shows the family share for FY26 as an annual amount, monthly amount, and percentage of family income.
- MSDE will be using FPL from the previous school year. In School Year 2025–2026, the 2024 FPL will be used. A family share will be required for families whose annual income falls between 301–360% of FPL for School Year 2025–2026.

Federal Poverty Level	Per Pupil Amount (FY26)	Total Annual Family Share (per child)	Family Share as Percentage of Annual Income* (per child)	Family Share Monthly (per child)**
301%-360%	$14,473	$1,447.30	1.3%-1.5%	$144.73

*Range based on 2024 FPL guidelines for a family of four with an annual income range of $93,912-$112,320.

**Based on 10 monthly payments.

Proposed Sliding Scale – FY27

- In the table below, the family shares for FY27 are estimated based on the per pupil rate of $19,950, as set by statute. The family share remains capped, ensuring that no family pays more than 7% of their annual income per child for Pre-K.

Federal Poverty Level	Family Share – Annual (per child)	Family Share – Monthly (per child)**
301% - 360%	$1,995	$200
361% - 420%	$3,591	$359
421% - 480%	$4,988	$499
481% - 540%	$6,584	$658
541% - 600%	$7,980	$798

Note: Amounts are rounded to the nearest dollar. To ensure that the family contribution does not exceed 7% of annual income for all family sizes, family share percentages were set based on cost modeling using a three (3) percentage point increase in the 2025 Federal Poverty Level (FPL). FPL for 2025 is expected to be released in late January 2025. Beyond FY 27, this methodology will be used to determine the family share based on the updated FPL and the per pupil rate.

Summary

- Based on the rationale presented, MSDE recommends that the State Board adopt this new, proposed methodology for the Pre-K sliding scale to be implemented beginning in school year 2025–2026. The key highlights of the proposal include:
  - Simplification: The new methodology reduces administrative burdens for local education agencies (LEAs) and Pre-K private providers by offering a straightforward, tiered structure based on family income levels. In the previous sliding scale, each family's family share payment would be individually customized by calculating a percentage of their annual income, rather than by where the family's income falls within the five levels.
  - Affordability and Sustainability: Families in Tier II (301%–600% of FPL) will continue to not pay more than 7% of their income per child, making high-quality Pre-K more accessible while also maintaining the fiscal sustainability of Maryland's Pre-K program.
  - Legislative Alignment: The methodology adjusts to the accelerated phase-in of the Pre-K per pupil rate, which rises significantly over the next two years.

Questions and Discussion