

Child Care Providers' & Families' Experiences With the Maryland Child Care Scholarship Program

Patti Banghart, Bonnie Solomon, Kristen Darling, Isabel Griffith, Ying-Chun Lin, Rebecca Madill, Jing Tang, Maggie Haas, Emily Maxfield, Tamara Halle, Kara Ulmen, James Fuller, Kajol Surani and Alexandra Verhoye

Executive Summary

Maryland (MD), like other states, has faced two primary challenges with its child care subsidy program (referred to as scholarships in MD): (1) serving a small proportion of families eligible for a scholarship, and (2) ensuring families have equal access to high-quality care, regardless of their income. Families in MD continue to face barriers to accessing child care scholarships, particularly Black and Spanish-speaking families.¹ However, following the 2014 reauthorization of the Child Care and Development Fund (CCDF) program, the state made several policy improvements to promote equitable access to high-quality care. Subsequently, following the COVID-19 pandemic, Maryland made additional policy changes resulting from the federal pandemic relief funds for CCDF, to help stabilize the child care sector.¹ This report provides information from a mixed methods study that examined the experiences of families and child care providers participating in Maryland's child care scholarship program following policy changes made from 2015–2019. These policies include a requirement for child care providers to participate in Maryland EXCELS, the state's quality rating and improvement system (QRIS); several increases in the provider reimbursement rate, ultimately increasing from the 10th to the 30th percentile of the 2019 market rate survey (MRS); and raising family income eligibility for scholarships from 32 percent to 65 percent of the state median income (SMI). While experiences with the scholarship program in relation to the pandemic were not specifically explored, we also asked providers about the benefits of the subsequent reimbursement rate increase to the 60th percentile of the 2019 MRS that occurred during the pandemic in November 2020.

¹ For more information about parents' experiences with child care in Maryland during the pandemic, see [Child Care Utilization in Maryland During the COVID-19 Pandemic](#)

The study aimed to address the following research questions:

Child Care Provider-related questions	Parent-related questions
1. What is the percentage of licensed providers accepting children with a subsidy following subsidy policy changes?	1. How do families receiving scholarships search for and choose their providers? <ol style="list-style-type: none"> a. What are the main reasons parents were searching for care during their most recent search? b. How did parents look for providers during their most recent search (e.g., internet/apps, Maryland EXCELS website, referrals, etc.)? c. Did parents find it easy or difficult to find their current provider? d. How, if at all, did searching for care change with and without the scholarship?
2. For those providers who serve children with a scholarship, what are the advantages and disadvantages of participating in the scholarship program?	2. How did parents first hear about the scholarship program?
3. What is keeping providers from participating in the scholarship system and what is keeping higher-quality providers (i.e., levels 3, 4, and 5) from accepting children eligible for child care subsidy?	3. What are families' experiences applying for the scholarship program? What changes would they recommend to improve the application process?
4. Why have some providers changed their willingness to serve children with a scholarship and/or the number of children with a scholarship they accept?	4. Are more children who use scholarships participating in higher-quality programs after new policies went into place/when they received a scholarship? How does this vary by family characteristic?
5. What strategies have family child care providers used to make it easier to serve children with scholarships and navigate the challenges of serving children with scholarships?	
6. Do providers know that scholarship reimbursement rates have increased? If yes, are parents paying less, more, or the same for child care? As reimbursement rates increase, are families who receive scholarships being charged smaller fees, and if yes, what are some reasons?	

Methods

This mixed methods study included the following data sources:

- Provider licensing data and child scholarship data (January 2015–March 2020)
- A survey of 984 licensed child care providers (collected June–July 2021)
- Interviews with 46 child care providers who completed the provider survey (conducted September 2021–January 2022)
- A survey of 666 parents receiving a child care scholarship in Maryland (collected November 2021–January 2022)
- Focus groups with 37 parents receiving a child care scholarship in Maryland who completed the parent survey (conducted April–May 2022)

While we surveyed and interviewed providers and parents during the COVID-19 pandemic, questions related to Maryland’s scholarship program were primarily focused on the policies implemented from 2015–2019, except for asking providers about the November 2020 reimbursement rate increase.

Findings

Providers’ experiences:

- Interrupted time series analyses indicated an increase in the percentage of licensed FCC and center-based providers serving children with scholarships following the elimination of waitlists and increases in eligibility levels and reimbursement rates. Additionally, while providers in lower-income communities serve more children with scholarships, we found that higher-income communities saw a larger increase in the percentage of providers serving children with a scholarship.
- Of the 984 providers surveyed, most providers were participating (59% centers, 40% FCC providers) or willing to participate (20% centers, 37% FCC providers) in the scholarship program. Most providers interviewed, who had changes in the number of children with a scholarship they serve, said this was a fluctuation in the number of families with a scholarship seeking care rather than a decision to serve fewer families with scholarships or not participate in the scholarship program.
- Providers participating in the scholarship program reported several challenges with participation during interviews, including delayed payments (due to delays in processing retroactive payments and families’ applications), paperwork burdens, issues collecting parent copayments, and low reimbursement rates.
- At the time of the survey, 50 to 66 percent of providers were aware that MSDE had increased provider reimbursement rates in November 2020. Of the providers who were aware of the reimbursement rate increase, most reported that the increased rate benefited families and resulted in families paying lower fees.

Parents’ experiences:

- Most of the 666 parents surveyed said they had searched for care due to a change in their work schedule (80%) and/or to provide an educational or social enrichment for their child (76%). About a quarter (22%) of parents also said they searched for care because they were not satisfied with their former child care provider.

- Parents commonly reported using the internet (46%) or asking family, friends, neighbors, or co-workers for recommendations (41%) when searching for a child care provider.
- Most surveyed parents reported that it was easy or somewhat easy to fill out the child care scholarship application (81%) and provide all the required documents (75%). However, parents in focus groups talked about the application process being time-consuming and burdensome, and many reported that they had difficulty communicating with Child Care Central 2 (CCC2)—the vendor that administers child care scholarship applications and payments. Over one third of parents (39%) said that it was difficult to have staff at CCC2 answer questions about the application.
- Most surveyed parents also found that it was easy (76%) or somewhat easy (14%) to find a provider that accepts a child care scholarship, although limited availability or lack of child care options was a common challenge for families living in rural areas of the state.
- Lastly, there was a significant increase from January 2018 to January 2020 in the percentage of children with a scholarship who used higher-quality providers (levels 3–5 in Maryland EXCELS). This finding was consistent across families with varying household income levels, race/ethnicities, and with varying levels of urbanicity. Moreover, surveyed parents who changed providers after receiving a scholarship generally reported that their new provider was “much better” or “somewhat better” on several quality indicators. For instance, 74 percent reported their provider was “much better” at helping their child be ready for school, but only about half thought their new provider was more affordable.

Conclusions & recommendations

Since our data collection, MSDE has taken several steps to address the challenges described here and to help stabilize the child care sector in Maryland following the COVID-19 pandemic. These include: (1) raising reimbursement rates to the 70th percentile (May 2022); (2) raising family income eligibility to 75 percent of the SMI (May 2022); (3) implementing advanced payments based on enrollment rather than attendance (January 2023); (4) offering presumptive eligibility for families applying for scholarships (July 2023); (5) developing an online portal for families and providers to submit paperwork (February 2023); (6) making improvements to customer service (e.g., offering extended hours of support for families and increasing staff) (December 2022); and (7) expanding outreach efforts to communicate policy and practice changes to families and providers (October 2022).

While we will continue to examine how these changes may affect families’ and providers’ participation in the scholarship program, we also recommend that Maryland and other states/territories consider the following efforts to promote access to child care scholarships:

- **Continue to monitor participation of providers and families in the scholarship program across different demographic groups following changes to income eligibility and reimbursement rates.** While increased access was greatest following the 2015–2019 policy changes in higher-income communities where many of the newly eligible, higher-income children likely resided, it will be important to determine if lower-income households maintain their level of scholarship participation.
- **Consider the costs for providing high-quality care when setting reimbursement rates.** While reimbursements rates in MD are close to the recommended level of 75 percent of the MRS, the U.S. Office of Child Care, which oversees the CCDF program, encourages states to consider the costs for providing care when setting reimbursement rates by conducting a narrow cost analysis.ⁱⁱ
- **Reduce paperwork.** Explore ways that the family and provider online portals can streamline paperwork requirements and the forms that need to be submitted.

- **Hire staff who can support families and providers in multiple languages.** Ensure there are staff who speak various languages to answer families' and providers' questions and offer case management services.
- **Provide additional resources and procedures for families and providers to navigate the scholarship program.** Maryland recently funded staff at Child Care Resource Centers to assist families with navigating the scholarship program; they could also consider allowing providers to assist families with the application and redetermination materials. Families should also have resources available virtually, in-person, and by phone.

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Introduction

Background

The Child Care and Development Block Grant Act of 2014 (CCDBG) reauthorized the Child Care and Development Fund program (CCDF), which is the primary federal funding source for child care subsidies that help eligible working families with low incomes to access child care. CCDF also aims to support the quality of care by supporting child care licensing, quality improvement systems that help programs meet higher-quality standards, and training and education for the child care and early education (CCEE) workforce.ⁱⁱⁱ

Research has shown several benefits for children and families receiving a child care subsidy, including increased access to child care, particularly to formal (licensed) care providers,^{iv} increased stability of care among children with a subsidy compared to those without,^v an increased likelihood of parents being employed (particularly with more generous subsidy policies),^{vi} and a shorter transition from welfare to work compared to those who do not receive subsidies.^{vii,viii,ix} Additionally, low-income families who receive child care subsidies are, on average, more satisfied with their child care arrangement compared to those without.^x

While there's evidence of many benefits of receiving a child care subsidy for children and families, only a small proportion of eligible families nationwide receive subsidies. A recent study using FY 2019 data from the U.S. Department of Health and Human Services (HHS) found that, in an average month only 16 percent of U.S. children who were eligible based on federal eligibility requirements received a subsidy.^{xi} That same year, Maryland (MD) served just 5 percent of children who were eligible based on federal eligibility requirements.^{xii}

A major cause of low subsidy use is the limited funding for the program. In addition, implementation issues can make it difficult for families and providers to participate in the child care subsidy system. Studies have identified multiple challenges, including a burdensome application and redetermination process, long wait times for subsidy approval, unclear and poorly communicated eligibility rules, lack of accessibility, delayed payments to providers, and inconsistencies in how policies are implemented locally.^{xiii,xiv,xv}

The 2014 reauthorization of CCDF aimed to strengthen the access, quality, and stability of ECE arrangements for low-income families. Specifically, the reauthorization law introduced a new goal of CCDBG: to increase the number and percentage of low-income children in high-quality child care settings.^{xvi}

The reauthorization law also set new standards around eligibility, child care quality, health and safety, access to child care, and workforce support.^{xvii} For example, states were encouraged to increase provider reimbursement rates so that families receiving a subsidy might have access to the same providers as those not receiving a subsidy. States were also encouraged to implement family-friendly eligibility policies to help families retain their subsidy and promote continuity of care.

Because of the new requirements in the 2014 CCDF reauthorization, MD made several policy improvements to promote equitable access to high-quality care (see Box 1).

Box 1. Changes to Maryland Scholarship Program Policies from 2015–2019

1. **August 2015:** Scholarship application and reimbursement vendor moved scholarship reimbursement from local departments of social services to a statewide centralized system.
2. **October 2015:** Providers were required to participate in Maryland EXCELS, Maryland’s QRIS, to receive a scholarship reimbursement.
3. **December 2017:** Provider reimbursement rates were increased from the 10th to the 12th percentile of the 2017 market rate survey.¹ Payments were retroactive to July 2017.
4. **February 2018:** Families in the highest eligibility income tiers became eligible for scholarships.² Between February and April 2018, letters were mailed to these families that were on the waitlist for child care scholarship.
5. **May 2018:** Provider reimbursement rates were increased from the 12th to the 20th percentile of the 2017 market rate survey.³
6. **August 2018:** Income eligibility for families was raised from 32 percent to 65 percent of the state median income (SMI). For a family of four, income eligibility increased to \$71,525 (from \$35,702).⁴
7. **July 2019:** Reimbursement rates were increased to the 30th percentile of the 2019 market rate survey.⁵

¹ H.B. 430, 2018 Maryland General Assembly, 2018 Reg. Sess. (Mar. 2018).

https://mgaleg.maryland.gov/2018RS/fnotes/bil_0000/hb0430.pdf

² Maryland State Department of Education. (2018, February 13). *Hogan Administration Lifts Freeze on Child Care Subsidy List* [Press release]. <https://news.maryland.gov/msde/hogan-administration-lifts-freeze-on-child-care-subsidy-list/>

³ H.B. 430, 2018 Maryland General Assembly, 2018 Reg. Sess. (Mar. 2018).

https://mgaleg.maryland.gov/2018RS/fnotes/bil_0000/hb0430.pdf

⁴ H.B. 430, 2018, Maryland General Assembly, 2018 Reg. Sess. (Mar. 2018).

https://mgaleg.maryland.gov/2018RS/fnotes/bil_0000/hb0430.pdf

⁵ Maryland State Department of Education. (2019, August 7). *Maryland Takes Major Steps to Improve Access to Quality Child Care* [Press release]. <https://news.maryland.gov/msde/maryland-takes-major-steps-to-improve-access-to-quality-child-care/>

Additionally, as a result of the COVID-19 pandemic, families across the nation face additional challenges accessing care and child care providers are experiencing greater financial difficulties and are struggling to keep their programs open. In Maryland, the vast majority (79%) of child care providers said in January 2021 that they had experienced financial losses, and nearly half (49%) believed that if families kept children at home for another six months, they would have to close permanently.^{xviii} Since March 2020, Congress has allocated over \$52 billion to states through CCDBG to stabilize child care and support working families through the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act; and the American Rescue Plan Act (ARPA). Through relief funds, Maryland made the following additional policy changes between April 2020–December 2022 to help stabilize the child care sector and promote access to child care scholarships:

- In 2020, providing additional funding to child care providers who offer care to children of essential workers.^{xix}
- In 2020, covered part of child care tuition that families may otherwise be required to pay.^{xx}
- In November 2020, increased provider reimbursement rates from the 30th to the 60th percentile of the 2019 market rate, and increased reimbursement rates again in May 2022 to the 70th percentile.^{xxi}

Study overview

As part of the Maryland Child Care Policy Research Partnership (MD CCPRP) (see Box 2), we conducted a mixed methods study to understand families' and providers' experiences with the scholarship program in Maryland. Of particular interest was the relationship between scholarship use and families' equitable access to high-quality child care. Survey, focus group, and interview data were collected between June 2021–May 2022. We also examined administrative data from January 2015–February 2020.

Although we surveyed and talked with providers and parents during the COVID-19 pandemic, questions related to the scholarship program were primarily focused on the policies implemented from 2015–2019. Our study focused on this time since this was a period during which Maryland implemented policy changes to specifically address ECE quality and access for families participating in the child care scholarship program that we wanted to explore, and our MD CCPRP will examine scholarship policies implemented during the pandemic in subsequent studies. However, a few questions also asked providers about the reimbursement rate increase that occurred in late 2020, during the pandemic.

The study addressed the following questions:

Provider-related questions:

1. How did the percentage of licensed providers serving children with a scholarship change, following scholarship policy changes between 2015–2019?
2. For providers who serve children with a scholarship, what are the advantages and disadvantages of participating in the scholarship program?
3. What is keeping providers from participating in the scholarship system and what is keeping higher-rated providers participating in Maryland EXCELS² (i.e., levels 3, 4, and 5) from accepting children eligible for a scholarship?
4. Why have some providers changed their willingness to serve children with a scholarship and/or the number of children with a scholarship they accept?
5. What strategies have family child care providers used to make it easier to serve children with scholarships and navigate the challenges of serving children with scholarships? Why are some family child care providers able to stay in the subsidy system, when others cannot?
6. Do providers know that the scholarship reimbursement rate increased in late 2020? If yes, are parents with scholarships paying less, more, or the same for child care following the reimbursement rate increase? If they are paying less, what are some main reasons?

² Maryland EXCELS is Maryland's quality rating and improvement system for child care providers.

Box 2. The Maryland Child Care Policy Research Partnership

In October 2019, Child Trends, in partnership with the Maryland State Department of Education (MSDE) Division of Early Childhood, received funding for a four-year project from the Office of Planning, Research, and Evaluation within the U.S. Department of Health and Human Services to investigate how Maryland's Child Care and Development Fund (CCDF) policies, regulations, and initiatives enacted since the Child Care and Development Block Grant (CCDBG) Act of 2014 have affected low-income families' equitable access to high-quality child care.



Parent-related questions:

1. How did families receiving scholarships search for and choose their providers?
 - a. What are the main reasons parents were searching for care during their most recent search?
 - b. How did parents look for providers during their most recent search (e.g., internet/apps, Maryland EXCELS website, referrals, etc.)?
 - c. Was it easy or difficult to find their current provider?
 - d. How, if at all, was searching for care different with and without the scholarship?
2. How did parents first hear about the scholarship program?
3. What are families' experiences applying for the scholarship program? What changes would they recommend to improve the process?
4. Are more children who use scholarships participating in higher-quality providers after new policies went into place/when they received a scholarship? How does this vary by characteristics of families receiving a scholarship?

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Methods

This brief presents data from a variety of sources, including a survey of center-based child care and family child care (FCC) providers, a survey of parents, follow-up interviews with a subgroup of providers who took the provider survey, follow-up focus groups with a subgroup of parents who completed the parent survey, and administrative data. This section provides a summary of the sample and analysis methods for each data collection referenced in this brief. For a full description, see [Appendix 1: 2019 Maryland Child Care Research Partnership \(MDCCPRP\) Detailed Data Collection & Analysis Methods Summary](#).

Provider survey (June–July 2021)

The sampling frame for this survey consisted of all licensed, currently operating center-based and FCC providers in Maryland as of April 2021, approximately one year after the beginning of the COVID-19 pandemic. This resulted in a list of 3,000 licensed providers.

Sampled providers included those both participating and not participating in the scholarship program and in Maryland EXCELS. We purposely oversampled large FCC providers and providers with Maryland EXCELS ratings of 3+ (on a 5-point scale) by contacting all providers in these two groups. The remaining providers were then stratified by urbanicity (rural versus urban), Maryland EXCELS rating (i.e., level 1–2), and scholarship program participation status, sampling thirty percent (30%) of each group. Sampled providers were sent a customized QR code survey link via email and postcard. The survey was open from June 1 through July 13, 2021.

Adjusted weights were applied for nonresponse bias and to ensure that the distribution of characteristics we used to stratify providers matched the characteristics of providers in the overall population. A total of 984 providers completed the survey (679 FCC providers [75% of the sample, weighted]; 305 center-based respondents [25% of the sample, weighted]). Among these programs, 95 percent reported that they were operating at the time of the survey.³ Descriptive statistics were generated for each survey question and significance testing was performed for selected comparisons. Statistically significant differences are noted in exhibits with an asterisk (*). The number of respondents to survey questions is reported as “(n = X)” in the title for each exhibit.

Provider interviews (September 2021–January 2022)

Interviews were held with surveyed providers who had expressed interest in being interviewed in a closing survey question. Interview participants were selected to ensure variation on key characteristics including program type (centers vs. FCC), enrollment of children who receive a child care scholarship, Maryland EXCELS participation, urbanicity, race/ethnicity, primary language spoken, and selected survey responses (e.g., providers’ perceived likelihood that their program will still be operating in three years).

The research team conducted forty-six 30- to 60-minute virtual interviews from September 2021 to January 2022: 37 percent (n = 17) with FCC providers and 63 percent (n = 29) with center-based providers. Among FCC providers, 71 percent (n = 12) were participating in Maryland EXCELS and 29 percent (n = 5) were not. Among center-based providers, 90 percent (n = 26) were participating, and 10 percent (n = 3) were not. Qualitative data were analyzed using deductive and inductive coding to identify overarching themes and areas of consensus and divergence.

³ Some providers who responded were temporarily closed due to the pandemic.

Parent survey (November 2021–January 2022)

The sampling frame for the parent survey included all parents in Maryland with at least one child who was age 5 or under using a scholarship to attend a formal child care arrangement as of September 1, 2021. The research team oversampled Hispanic parents from the population described above by sampling all Hispanic parents, because of MSDE’s interest in understanding Spanish-speaking parents’ experiences. We then drew a random sample from the remaining families in the population. A total of 1,452 eligible parents were invited to participate in an online survey and were sent a unique survey link via email and postcard. The survey was conducted from November 2021 to January 2022. A total of 666 parents responded to the survey (response rate 46%).

Weights were applied to adjust for sampling and nonresponse bias to ensure that the distribution of respondents’ characteristics (i.e., race/ethnicity and urbanicity) matched the population of parents we sampled from. Descriptive statistics were generated for each survey question and significance testing was performed for selected comparisons.

Parent focus groups (April and May 2022)

The research team conducted virtual focus groups with 37 surveyed parents who expressed interest in participating in a focus group in a closing survey question. Where possible, participants were grouped based on their provider’s EXCELS rating (level 1–2, level 3–5, and non-rated), urbanicity (urban/rural), and primary language (English/Spanish). The research team spoke with 30 urban-residing parents (16 with providers rated 1–2; 14 with providers rated 3–5), two rural-residing parents (one with a provider rated 3–5 and one with a non-rated provider), and five Spanish-speaking parents (all with providers rated 3–5) from April to May 2022. Out of the 37 participants, only eight (22%) used registered family child care providers, with the remaining opting for center-based providers. We conducted a total of eight focus groups and three individual interviews to accommodate Spanish-speaking parents. Qualitative data were analyzed using deductive and inductive coding to identify overarching themes and areas of consensus and divergence.

Administrative data (January 2015–February 2020)

The research team used administrative data from MSDE’s scholarship program to understand changes over time in the proportion of providers participating in the scholarship program. Participation data from the first Monday of each month, from January 2015–February 2020, were used so that we could examine providers’ responses to the policy changes in Box 1.

The research team also used administrative data to examine the quality of care accessed by children with a scholarship following the implementation of new scholarship policies. The team analyzed MSDE’s child-level scholarship data and linked this data with Maryland EXCELS data to determine the percentage of children with a scholarship who were accessing higher-quality providers. The analysis period spanned from January 1, 2018, to February 28, 2020, as most of the providers in Maryland published a quality rating after October 2017.

To examine provider quality, the research team considered two definitions of “higher-quality” care: the broad definition described above (i.e., providers with a Maryland EXCELS rating level of 3, 4, or 5), and a narrow definition that was limited to providers with a rating of 5. The final analysis included 55,713 children who were using a scholarship between January 2018 and February 2020. The research team also conducted subgroup analyses by child’s race/ethnicity, family income, and community urbanicity to examine any variations in accessing higher-quality programs.

Providers' Experiences

This section describes study findings for each of our research questions related to providers' experiences with the scholarship program:

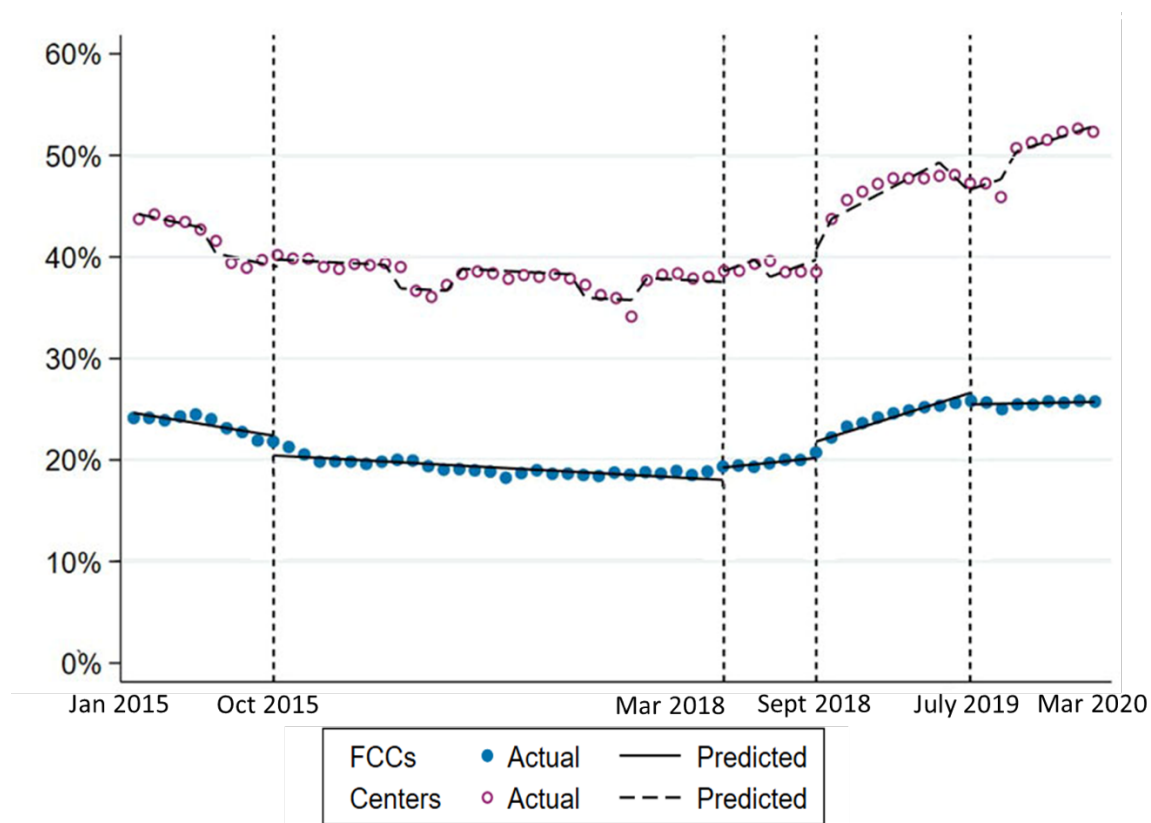
1. How did the percentage of licensed providers serving children with a scholarship change, following scholarship policy changes between 2015–2019?
2. For providers who serve children with a scholarship, what are the advantages and disadvantages of participating in the scholarship program?
3. What is keeping providers from participating in the scholarship system and what is keeping higher-rated providers participating in Maryland EXCELS (i.e., levels 3, 4, and 5) from accepting children eligible for a scholarship?
4. Why have some providers changed their willingness to serve children with a scholarship and/or the number of children with a scholarship they accept?
5. What strategies have family child care providers used to make it easier to serve children with scholarships and navigate the challenges of serving children with scholarships? Why are some family child care providers able to stay in the subsidy system, when others cannot?
6. Do providers know that the scholarship reimbursement rate increased in late 2020? If yes, are parents with scholarships paying less, more, or the same for child care following the reimbursement rate increase? If they are paying less, what are some reasons?

Participation in the scholarship program

Related to our first research question of whether the percentage of licensed providers serving children with a scholarship changed following policy changes between 2015–2019, we used administrative data to understand how policy changes in the scholarship program (see Box 1) were related to the proportion of providers serving children with a scholarship. **We found a significant increase over time in the percentage of providers serving children with a scholarship, corresponding to the period when Maryland eliminated waitlists, increased family income eligibility for scholarships, and raised provider reimbursement rates.** Specifically, after the December 2017 and February 2018 policy changes that included a small increase in reimbursement rates and an increase in family income eligibility, the percentage of FCC providers and center-based providers serving children with a scholarship increased (see Exhibit 1). Similarly, the percentage of center-based providers and FCC providers again increased after the next reimbursement rate and income eligibility increase in May and August 2018, and the percentage of center-based providers continued to increase following the subsequent increase in reimbursement rates in 2019.⁴

⁴ Many of Maryland's scholarship program policies were implemented in rapid succession. As a result, some of the timepoints used in the administrative data time series analyses in Exhibits 1 and 2 represent the implementation of multiple policies. The March 2018 timepoint represents the December 2017 and February 2018 policies. The September 2018 timepoint represents the May and August 2018 policies. For additional information please see [Appendix 1: 2019](#) Maryland Child Care Research Partnership (MDCCPRP) Detailed Data Collection & Analysis Methods Summary.

Exhibit 1. Percentage of family child care and center-based providers in Maryland serving children with a scholarship



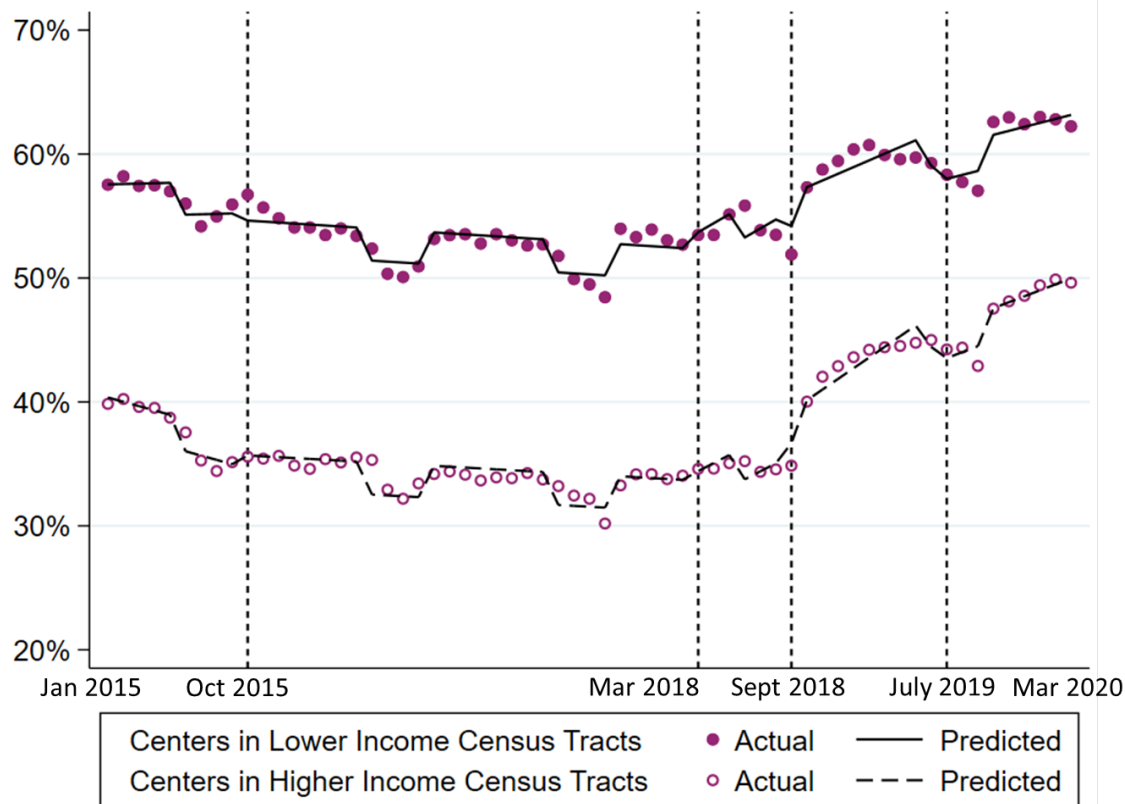
Source: Child Trends analysis of MSDE administrative data.

We also wanted to understand whether there were differences in the proportion of center-based providers serving children with a scholarship across higher and lower income communities (see Exhibit 2). **While center-based providers in lower-income communities were more likely to serve children with a scholarship, higher-income communities saw a larger increase in the proportion of center-based providers serving children with a scholarship after monthly values were standardized.**⁵ This is most likely because increased eligibility thresholds meant that more children in higher-income communities were now eligible for scholarships and seeking care in those communities.⁶

⁵ In these analyses the monthly values were standardized by transforming each value into a percentage of the January 2015 starting measurement. For example, if the percentage of center-based providers enrolling children receiving a scholarship January 2015 was 50%, and the February value was 40%, the standardized February measure would be 80%, indicating that the February value was 20% smaller than the January value. Providers in higher income census tracts had lower percentages enrolling children receiving scholarships than did providers in higher income census tracts, so a loss of .5 percent, for example, would be a much more meaningful loss for providers in higher-income census tracts. Standardizing by indexing to the starting value allowed for meaningful comparisons between these groups.

⁶ We also looked at differences in the proportion of providers serving children with a scholarship across communities with different racial and ethnic composition. Communities with a lower proportion of Black residents had a larger increase in the percentage of providers serving children with a scholarship, compared to communities with higher Black populations. This is most likely due to the intersection between race and income in Maryland, in that communities with a lower proportion of Black residents also tend to be higher-income communities. There were no differences between communities based on their Hispanic population.

Exhibit 2. Percentage of center-based providers in Maryland serving children with a scholarship, by community income level



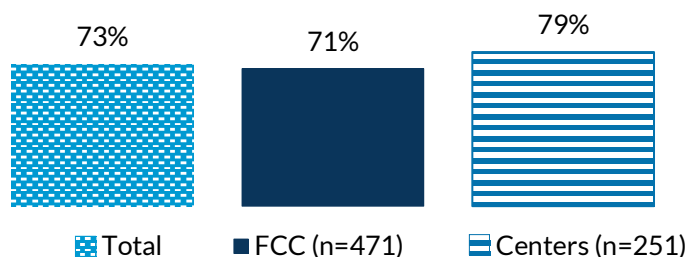
Source: Child Trends analysis of MSDE administrative data.

Note: Community income level is measured by Census tracts. Image depicts values prior to standardization.⁵

Benefits to participating in the scholarship program

Most of the surveyed providers (73%) indicated that they were participating in the scholarship program or willing to accept children with scholarships (see Exhibit 3). Through the survey and interviews with providers, we asked programs that currently participate and those willing to participate in the scholarship program about the benefits and challenges of participating in the scholarship program.

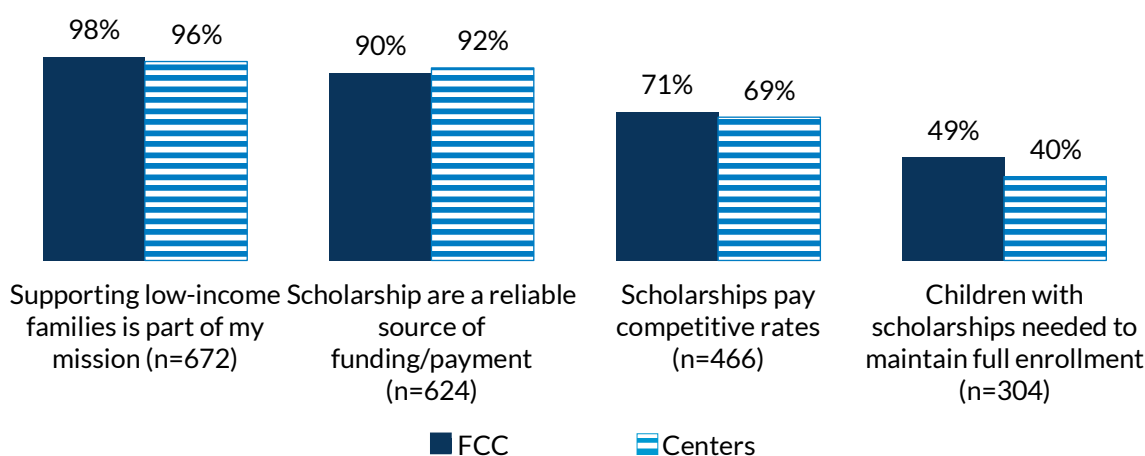
Exhibit 3. Percentage of Maryland providers serving or willing to accept children with scholarships, by type of provider (n = 722)



Source: Maryland Child Care Policy Research Partnership (MD CCPRP) 2021 Current Child Care Provider Survey

Related to our second research question about the advantages and disadvantages of participating in the scholarship program, surveyed providers who served, or were willing to serve children with a scholarship indicated, from a list of options, that they experience several benefits to accepting children receiving child care scholarships (see Exhibit 4). Nearly all these providers (98% of FCC providers and 96% of center-based providers) reported they wanted to support low-income families as part of their mission. The vast majority of providers (90% of FCC providers and 92% of center-based providers) found scholarships to be reliable sources of funding, and close to three-quarters (71% of FCC providers and 69% of center-based providers) reported that the scholarship reimbursement rates paid a rate that is as good as, or better than, their rate for private-paying families. In addition, half or less (49% of FCC providers and 40% of center-based providers) reported that there were not many private-paying families looking to enroll so serving children with scholarships helped them maintain full enrollment.

Exhibit 4. Percentage of Maryland FCC and center-based providers who indicated that various reasons “very much” or “somewhat” influenced their willingness to accept children using care scholarships, among providers currently serving or willing to serve children with a scholarship



Notes: Respondents were given the option to select more than one reason and confirm whether each reason contributed “Very much”, “Somewhat”, or “Not at all”. Providers were invited to ‘check all that apply and thus, Ns vary for each reason.

*The difference between FCCs and center-based providers is statistically significant.

Source: Maryland Child Care Policy Research Partnership (MD CCPRP) 2021 Current Child Care Provider Survey

Current providers who served children with scholarships echoed these benefits to serving children with scholarships during interviews. By far, the two biggest advantages highlighted by providers during interviews were (1) supporting low-income families who, otherwise, may not be able to afford quality child care, and (2) having a reliable source of payment. For example, an FCC provider said, “*The advantage is, one, I get to help my families if they can’t afford, you know, the cost of daycare. The other advantage is that I am guaranteed a certain portion of my money. I do like that.*” One center-based provider discussed the intersection of supporting low-income families and having a reliable source of payment, by explaining that years ago, they had offered reduced tuition rates to families who were struggling financially, but this was a hardship for their program. However, thanks to child care scholarships, they can now serve low-income families without creating financial challenges for the program, “*I’ve been a very kind person and given massive discounts to families that have struggled But now ... I say, ‘Apply for the scholarship,’ and I know I’m gonna get paid ... Me giving away child care, I can’t do that anymore.*”

Relatedly, a couple of providers noted that child care scholarships support continuity of care for low-income families. For example, one FCC provider explained:

It gives the kids stability in child care. Because otherwise, the parents are doing what they can to save money and so they pull their kids if they change jobs, they pull their kids if they have a family emergency. You know, they pull their kids for whatever because they have to do what they have [to do] to save money. And if the state's paying for it, then they'll leave [their child] in care. So, it's the kids that benefit.

As noted above, we heard numerous remarks from providers about scholarship reimbursements being a reliable source of payment. One center-based provider communicated a strong preference for serving children with scholarships and explained that their program has worked, over time, to intentionally increase the number of children who are enrolled with a scholarship, “I just feel like that’s guaranteed money, you don’t have to chase parents down for your pay. ... Half of my day care here is scholarships. I prefer scholarship families.” An FCC provider we spoke with shared this preference for serving children with scholarships, based on prior experiences with families who did not pay their tuition, “I have had very bad experiences with parents who have paid me with fake checks, with parents who have left without paying me. ... For all the money that people have scammed me, I prefer to work with vouchers.” Another center-based provider expressed a similar but slightly more empathetic perspective, “When you serve lower income families, sometimes they, you know, if they're having difficulty making ends meet, you may not get timely paid tuition or tuition paid at all. So childcare subsidy helps offset that it kind of guarantees you're getting a portion of that tuition.”

One center-based provider emphasized additional financial benefits of serving children with scholarships, related to the tiered reimbursements received from the Maryland EXCELS program:

Oh my gosh, the extra money we get from tiered reimbursement for having subsidy children—and you know, most years we don't have a lot of them, we might have 10 percent out of our 60, [so] we might have six kids. I think right now I only have 4. But at level 5 [in Maryland EXCELS], the additional amount is high. And so, it could be \$6,000 a year, could be \$8,000 a year. And I save that every year in our account, and then at the end of the year, I plunk it into our 401K account that I started for the staff here.

Finally, a few providers mentioned that enrolling children with scholarships supports their overall enrollment and helps them stay in business. One center-based provider said, simply, that by serving children who have scholarships, “we’re able to get more children into the building.” One FCC provider discussed in a bit more detail that, given enrollment challenges, serving children with scholarships is a necessity rather than a choice, “Honestly, I just want to stay in business. They’ve taken all the three- and four-year-olds for public school because we have all day public PreK here. So, I just can't find kids, so I pretty much have to take what I can get.”

Perceived challenges of serving children with scholarships

Delayed reimbursements

During the interviews, providers who had participated in the scholarship program also discussed several challenges associated with serving children with child care scholarships. Most providers mentioned the challenge of delayed reimbursements and a lack of communication about when reimbursements would be processed. Most of these delays and communication challenges appeared to begin around the time that management of the child care scholarship program changed to a centralized vendor—Child Care Scholarship Central 2 (CCSC2) in 2015. We heard similar stories across multiple providers, including both center-based and FCC providers, of payments that were delayed by several months, of daily phone calls to try to find out the status of their payment(s), and of receiving minimal or no information for extended periods of time. One FCC provider explained:

First when I started, everything, the CCS1 [vendor], the invoices, everything, the process, it was so smooth. Anytime you call they will respond. [And] the money come just on time. It was very, very good. But since they changed to this CCSC2 ... one of the kids in my daycare, four

months the voucher, the money didn't come. And I was calling, they told me nothing But after four months, last week my money came.

Some providers emphasized that the payment delays they experienced were especially problematic for them because a large proportion of the children they serve have scholarships. For example, one center-based provider said that following the change to CCSC 2, “it took me two months to receive a payment, and ... 90 percent of our enrollment were through [the scholarship] program, as far as the tuition. So that was two months that we were, you know, really hurting.” Another center-based provider explained:

For months [after the change to CCSC 2] my husband would have to call just for them to begin processing the payment. He would have to call every single day. ... It was really, really hard because, one, we were still in the pandemic, we were just starting to get our enrollment back up, and ... a large amount of our children do have the child care scholarship. So, if we're not getting paid for the scholarship, we don't have the money to run our program. But we still have to pay rent, we still have to pay our staff. You know, nobody cares that we didn't get paid. Even now ... like, he doesn't have to call [anymore] for it to be processed, it'll start processing, [but] it could take— I think it used to take 3 to 5 days, or 7 to 10 days at the most— [now] it'll process for two weeks! So, like, [we still] have no idea when we're gonna get paid, it just kind of comes when it comes.

Notably, this provider said that these challenges would likely be enough to deter them from serving children with scholarships if it were not for the fact that they had seen the process work smoothly in the past: “I’m probably holding on because of, just, I know it can work!” However, they noted that other providers who are new to serving children with scholarships may be unwilling to deal with these challenges in the hopes that things will improve in the future.

Although some providers described reimbursement delays and related issues as a major source of stress, others mentioned these challenges but did not seem particularly impacted by them. In fact, several providers stated explicitly that delayed payments are indeed a hassle but are relatively manageable for providers who serve a small number of children with scholarships. For example, one center-based provider explained, “Depending on the area, if you have more than just one [child with a scholarship], it could hold up some of your, you know, collections, accounts receivable. But it really didn't, wasn't that big of a deal for us, 'cause it was just the one.” Another center-based provider said, “I can't imagine ... having six kids that I can care for and three of them that I have to wait for half their money.”

Delayed scholarship approvals

In addition to delayed reimbursements for children whose scholarships are fully approved, several providers also discussed delayed reimbursements related to delays in parents' scholarship applications being processed or a lack of communication from the scholarship program about application-related issues affecting scholarship approvals. For example, one FCC provider explained, “Sometimes it can be really long to get the people enrolled on the program, and ... I have people that I know cannot afford care. So, a lot of times I will let them enroll their kid, and I'll worry about collecting that state part when it comes through.” However, if there are enrollment delays or the family is not approved for whatever reason, this can lead to a situation in which providers have been watching a child and expecting to get reimbursed, and that reimbursement is substantially delayed or never comes. One large FCC provider described a scenario that they said was all too common based on their experience:

The parents are having trouble because either they didn't sign a form [or there's] a paper they didn't submit. And they'll call [the scholarship program] and say, 'Is everything OK?' And [the scholarship program will] say, 'Yeah, everything is great.' But then, by the third time they call, [they find out], 'Oh, you didn't sign something.' So now it's two or three weeks later and they're

resubmitting. So ... now you've been allowing them to pay for like three weeks. ... It's something wrong with that whole time lapse because they have contracts with us, the parents have contracts with us and we're not getting paid. And [the parents] want to continue paying, you know, the \$100 for the four kids a week. You know, people think it's guaranteed money, but it's not guaranteed if you get it 6 to 8 weeks later.

Administrative burden from extensive paperwork

Providers also commonly described excessive paperwork required for the scholarship program. Much of the paperwork is involved in the process of submitting for reimbursement and can therefore contribute to the problem of delayed reimbursements if a form is overlooked or filled out incorrectly. One center-based provider explained:

It's not like it's an attendance form that we can just fill out and submit. We have to wait for their form and then send that. So, it's not like I can just print my attendance and say here's when the kids attended this week. It's a separate form, so they send me a form that I fill out at the end of the service period and sign it and send it back, and then they send me a receipt or an invoice that says they paid me. ... The process is a little daunting. Like, for me, it's one [child who receives a scholarship]. Like, so the papers come, if it sits on my desk for an extra day, it's not going to kill me. But I can't imagine if I was a home care provider in, you know, Baltimore or PG County, or one of those type of lower socioeconomic areas where I had half my families on subsidy and-- I just couldn't imagine surviving as a business. Because they're businesses. The home care providers, it's a business.

Some providers also described spending an inordinate amount of time following up on forms that they never received to be able to submit for reimbursement or checking on the status of reimbursements that they believed they submitted everything for but never received. For example, one FCC provider recalled spending close to 30 hours making phone calls and sending emails to track down a single reimbursement that they never received:

I ... had a paper trail of me contacting [the scholarship program] at least once a month for every month between August and [the following] March. I had, like, something like 29 hours into tracking that one invoice. ... And as a single provider, I don't have 29 hours to track down \$114, which is what that invoice was. It costs me way more in my time to track down that invoice. ... All that time was time I ended up giving up from either my daycare children or my own children.

A few providers also discussed frequent audits requiring additional paperwork. Notably, based on our interviews, it sounds like audits have become more common and more frequent in recent years. One center-based provider said, “And now, all of a sudden, they're doing audits pretty regularly. I have one family [receiving scholarships], and they've audited me twice. I've just got the second audit on the same family. I've never had an audit in 20 years, and I've got two in two months.”

Although nearly all providers we interviewed discussed challenges related to delayed payments and/or administrative hassles, and some even chose not to serve children with scholarships as a result of these challenges (discussed in more detail below), it is important to note that some providers felt it was still worth it to serve children with scholarships, despite these challenges. For example, one center-based provider said, “Disadvantages, uhm, I think sometimes waiting for the checks or stuff like that. Administrative type stuff. But it's a good program.” Another center-based provider explained, “Sometimes they're late with paying the vouchers and the logistics of doing the paperwork can be a pain ... but I never mind it because you're really serving a family who needs the help.”

Low reimbursement rates

We heard from many providers that the scholarship reimbursement does not always cover the full tuition, especially for child care programs with higher tuition rates. A few providers commented, explicitly, that Maryland's scholarship reimbursement rates are too low. For example, one FCC provider said, *"The State, or the scholarship, comes up with their own rate, like, 'This is how much you should be charging.' But it's my business, so I charge what I think I'm worth."*

Some providers explained that they require parents to pay the balance owed, sometimes referred to as the "differential," when the reimbursement does not cover the full tuition. Some of these providers, however, described difficulties collecting this amount from families. One center-based provider noted that this can have consequences for the program's financial health:

Most of the families can't afford the differential and copay. And so, for a center of higher-quality, the tuition is typically higher because we're paying for those quality initiatives. ... Typically, what happens is the families can't even afford the copay rate. And so, a lot of the times you end up losing money on childcare subsidy clients, or you end up in collection, because you can't recover a portion of ... the differential and the copay.

Some providers, especially FCC providers, also described feeling conflicted about trying to collect the balance owed by families, given their demonstrated financial need. As one former FCC provider explained:

The reason the parent is getting the scholarship is because they can't afford [the cost of care]. And so, for me to then turn around and be expected to then charge them more [than their copay], that doesn't work ... providers are human beings and we recognize they can't afford it. So, we're going to say no, I can't do it, and now I'm getting paid way less for that child.

Difficulty collecting parent payments

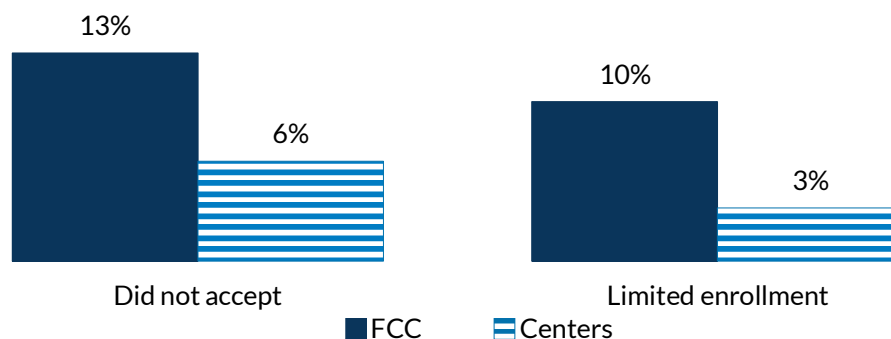
Some providers discussed a lack of understanding among parents about how the scholarship program operates, which in turn exacerbates the challenges providers experience when collecting copayments and/or the balance owed by parents. For example, several providers mentioned that parents often think they are only responsible for their copay and aren't at all aware that they may also need to pay the difference between the tuition and the amount that the scholarship covers. Providers emphasized that they spend a lot of time educating parents about their financial obligations under the program. As one provider noted, *"I almost felt like I had to do, like, a zoom meeting with the parents to kind of explain ... I explained it so much. ... [and] the parents still don't fully understand. Not all of them."* This provider also encouraged parents to contact the scholarship program with questions, hoping that someone would explain the process more clearly to them. Unfortunately, parents reported that when they called, they were told, *"We've already explained this to the providers. They should know."*

Closely related to this lack of understanding, a few providers discussed pushback from parents who *"feel like they have no obligation to pay the daycare provider, even though their copay could be as little as \$10 a week."* These providers perceived that parents do not feel they should be required to contribute towards the cost of care *because they've been approved for a scholarship.* For example, one center-based provider said that parents might think, *"The childcare [system] is paying for this and I don't have to pay you the difference. ... I went over there, and they said that this is all I can afford. Why do we have to pay you more?"*

Providers' reasons for not participating in the scholarship program

We also asked providers who were not currently participating in the scholarship program about their reasons for not participating. Based on our spring 2021 survey of providers who were currently operating, a small percentage of FCC respondents (13%) and center-based respondents (6%) *did not accept* children with child care scholarships, and only 10 percent of FCC respondents and 3 percent of center-based respondents indicated that they *limited the number of children they enrolled* with child care scholarships (see Exhibit 5).

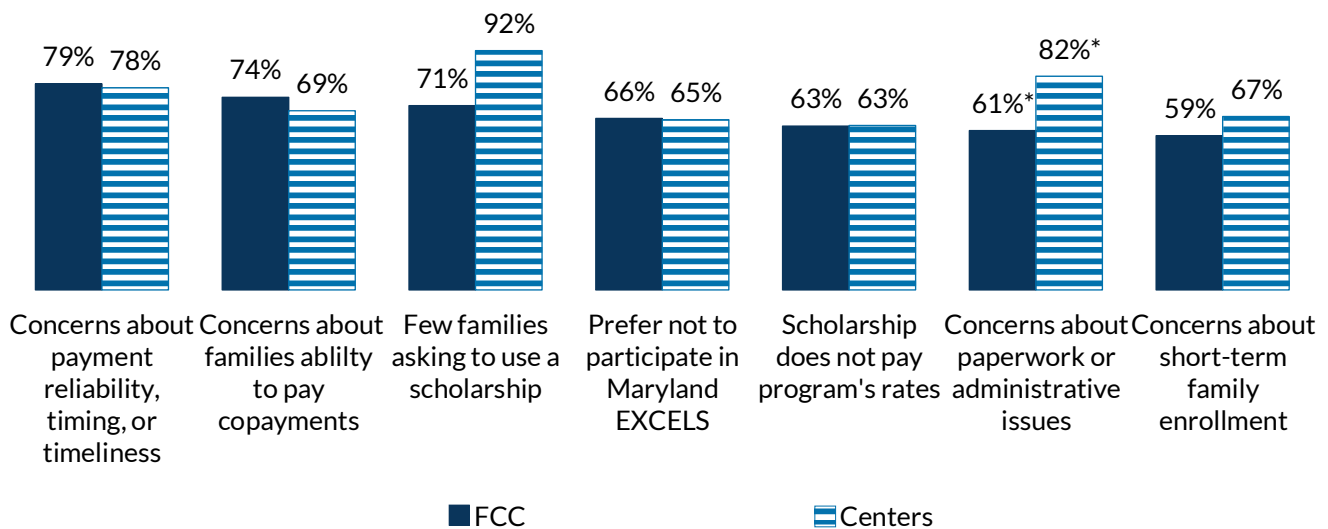
Exhibit 5. Percentage of Maryland child care providers that were not willing to enroll children with a scholarship, or limited enrollment of children with a scholarship, by type of care (n = 151)



Source: Maryland Child Care Policy Research Partnership (MD CCPRP) 2021 Current Child Care Provider Survey

The providers who indicated they were not willing to participate in the scholarship program or who limited the number of children they enroll with a scholarship reported several reasons listed in the survey for not enrolling or limiting enrollment of children with scholarships (see Exhibit 6). Reasons included concerns about payment reliability, timing, or timeliness (79% FCC, 78% centers) followed closely by concerns about families' ability to pay copayments (74% FCC, 69% Centers). While a greater proportion of center-based respondents reported that few families asked to use a scholarship (92%) compared to FCC providers (71%), a similar proportion of providers simply preferred not to participate in Maryland EXCELS (66% of FCC providers and 65% of centers) or said that the scholarship did not cover the full program rate (63% for both). Concerns about paperwork or administrative issues were reported more often by center-based providers (82%) than FCC providers (61%). Similarly, concerns about short-term family enrollment were reported more often by center-based providers (67%) than FCC providers (59%).

Exhibit 6. Percentage of Maryland child care providers¹ that reported different reasons that “very much” or “somewhat” influenced their decision to not enroll, or to limit enrollment of, children with scholarships, by type of care (n = 66–96 family child care providers; 13–20 center-based providers)



Notes: Ns reported in the title reflect the range of counts for any single response option.

¹The analysis was limited to respondents who reported that they were not willing to enroll children with scholarships or reported that they “very much” or “somewhat” limited enrollment of children with child-care scholarships.

* Difference between provider types was statistically significant.

Source: Maryland Child Care Policy Research Partnership (MD CCPRP) 2021 Current Child Care Provider Survey

Few families with a scholarship ask to enroll

During follow-up interviews, we asked providers to share more about the reasons they were not participating in the scholarship program or might limit the number of children receiving scholarships that they care for. Among all current providers interviewed who were not currently serving children with scholarships (n = 22), most indicated that they would be willing to participate in the scholarship program, but that they have not had families with scholarships seeking to enroll in their program. One FCC provider, who did not currently serve a child with a scholarship, but had previously, described, “If I start getting calls from parents with scholarships, and I see that there's a need, you know, then I'll say ‘Oh well, hey, how can I better serve my community? I'm enrolling in EXCELS again.’” A few providers shared that this could perhaps be because the threshold for families to qualify for scholarships is too low.

Concerns around administrative burden and payment challenges

Additionally, a few providers indicated that they were unwilling to accept children with scholarships since they want to avoid the logistical and/or financial challenges related to the scholarship program. These challenges included frequent audits, demanding deadlines, large amounts of paperwork, extra coordination required with families, and the burden of delayed payment. An FCC provider detailed,

“It was extremely difficult to get paid. You never knew if your invoices were gonna be coming on time in order to get reimbursed and the audits were very, very, very frequent, which wasn't a big deal, but they wanted all of their stuff by a certain deadline but are not quick to get you the stuff that you're supposed to have on a quick deadline, so it was very frustrating. It was hard working with the families that I had because they would not get their paperwork in on time. So, then they would be kicked out ... and then it would take time to get them re-enrolled, and then I'm out money. So, it was just a huge headache.”

Lack of awareness about the scholarship program

A few additional providers expressed uncertainty about serving children with scholarships (e.g., based on what they have heard about other providers' experiences, or being unsure about the program's benefits). One center-based provider shared, *"Honestly, I don't have enough information and knowledge about childcare scholarships to even participate, I just don't know what is involved with participating and the benefit of doing it."*

Participation of highly rated providers in the scholarship program

A small percentage (16%) of FCC providers and a third (33%) of centers responding to the survey had higher ratings (levels 3–5) in Maryland EXCELS. Among these providers, only a small number reported not being willing to accept, or limiting enrollment of, children who receive a scholarship.⁷ However, the lower number of highly-rated providers in our survey sample may be indicative of the challenges to achieving levels 3–5 in Maryland EXCELS and suggests that there is still a smaller pool of highly-rated providers potentially accepting children with scholarships.⁸

Similarly, based on our interviews with current providers, very few highly-rated providers shared that they were unwilling to participate in the scholarship program (n = 2). These current providers described the "hassles" of the scholarship program as their main deterrents to participation (e.g., frequent audits, demanding deadlines, large amounts of paperwork, coordination with families, delayed payments, etc.). One current center-based provider shared, *"There are no children that want to enroll with a scholarship, but I'm not looking for them either, because of all the hassle."* A different FCC provider also discussed the challenges, describing,

"I hate to sound negative because I know that some people need help, but why am I gonna go ahead and bend my back and do 20 more pieces of paperwork to get the same amount of money that I can get with another kid that I don't have to do any paperwork with? It's just, you know, having a daycare is overwhelming as it is, and with COVID and all this stupid paperwork that we have to do, I just, I could lose my mind having to do some more paperwork."

When current providers were asked during interviews about whether participation in the scholarship program might differ between higher and lower rated programs, center-based providers offered insights as to why differences could exist. Two highly-rated center-based providers noted that it costs more to operate at a higher level (e.g., there are more professional development costs to factor in), and scholarship reimbursements may be too low to fully cover these higher costs, influencing provider likelihood in wanting to participate in the scholarship program. One of those providers detailed, *"I've seen those at Level 3 just want to maintain Level 3 because it's comfortable they can do it, and moving up to level 4 means you're going to start going through accreditation, which is a lot of work. It is a lot of work. It can be very expensive."* Two different center-based providers (one with an EXCELS rating ranging between 3–5, and the other ranging between 1–2) shared that programs with higher EXCELS ratings may be more established in their community, and thus they may not need to enroll children with scholarships to fill their empty slots.

⁷ Data on higher-quality providers' reasons for not participating in the scholarship program are not reported due to the small sample.

⁸ For more information on Maryland EXCELS program participation, see this companion report: Provider and parent perceptions of and experiences with Maryland EXCELS Child Care Quality Rating System.

Changes to providers' willingness to participate in the scholarship program or the number of children with a scholarship they accept

Generally, in interviews with current providers, we did not hear that their willingness to participate in the scholarship program had changed. Rather, we more commonly heard providers describe increases or decreases, over time, in the number of children they had enrolled with scholarships. Typically, the reason for these changes stemmed from fluctuations in the number of families with scholarships who were seeking to enroll in their program. Similarly, providers who indicated they had previously enrolled children with scholarships (but did not currently) shared the same reasoning, though some providers also talked about not wanting to “deal” with payment delays and administrative burdens (e.g., frequent audits, demanding deadlines, large amounts of paperwork, coordination with families, etc.).

FCC providers' strategies for participating in the scholarship program

As discussed already, some providers—and especially FCC providers—have found it challenging to serve children with scholarships because of the administrative burden and/or financial difficulties associated with doing so. Some have even decided that the challenges outweigh the benefits, especially if there are enough private-paying families seeking to enroll in their program. However, we spoke with a few FCC providers who described strategies that enable them to serve children with scholarships while keeping the associated challenges to a minimum.

For example, two providers discussed limiting the number of children they enroll who receive scholarships. One of these providers, who operates a large FCC home, explained that this decision stemmed from delayed reimbursements. Although they previously enrolled nine children who had scholarships, they have since cut this number roughly in half, “*Because of the experience of not receiving my money for 10 weeks-- I have teachers that I have to pay, insurance ... So, I just limit it to four to five kids out of my 12.*” Another provider, who also operates a large FCC home, discussed limiting enrollment of children with scholarships as a way to mitigate the challenges associated with low reimbursement rates and parents' inability to pay the full differential:

I've been very lucky and grateful with my [private paying] clients ... they don't have financial issues and they pay on time and it's enough for me. I leave about two spots ... to help a family. I have 12 spots, so I usually have like 10 spots full price and two spots [for which] I know that it's gonna be a loss.

Delays in processing new scholarship applications often cause uncertainty around the amount of the parent's copay and differential. We heard about different approaches that providers use to manage this uncertainty and allow children to receive care while their application is being processed. One provider explained that if a family qualified previously and knows what their copay was previously, the provider charges that same amount until the new scholarship is fully processed. At that point, the provider determines if the parent owes any additional amount or if the provider owes funds back to the family. In contrast, another provider indicated that they charge the family the full tuition until receiving official notice of the reimbursement amount and copay for that child. This provider explained that they previously relied on preliminary information that the parent received from the scholarship program, but this information was not always accurate. This provider recalled what happened when one parent enrolled a third child in the scholarship program:

It literally took [the scholarship program] 8 weeks, about 8 weeks to add him, for me to start receiving payment. Now, typically I would just get the documentation [from the parent] that says that this is what we're getting, and I would use that and have the parent just pay me, you know, their portion and copay. I don't do that anymore, 'You pay full price. When [the reimbursement] starts coming in, I'll credit you.' Because a lot of times what they document on

the form, it may say, you know, 'Little [child's name] is getting ... \$200 a week,' but it may come in \$178. You know what I mean? So, now the parent actually owes more. It's just not worth it.

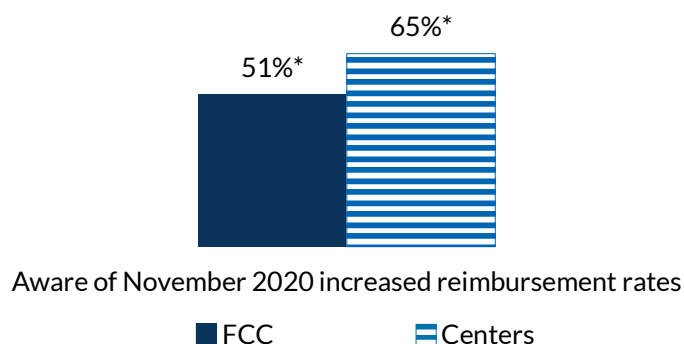
Reimbursement rate increases

Providers' awareness of reimbursement rate increases

As described above, a common complaint among providers was that the reimbursement rate for serving a child with a scholarship was too low. MSDE had increased the reimbursement rates multiple times in the years preceding the survey to encourage participation in the scholarship program and help providers cover the cost of care; however, providers must be aware of the policy change for it to cause a behavior change. We therefore asked providers responding to the survey in 2021 whether they were aware of the most recent reimbursement rate increase, which occurred in November 2020.

About half (51%) of FCC providers (51%) and the majority of center-based providers (65%) reported they were aware of the recent increase in scholarship reimbursement rates (see Exhibit 7).

Exhibit 7. Percentage of child care providers reporting they were aware of the 2020 increase to Maryland child care scholarship reimbursement rates, by provider type (n = 533)



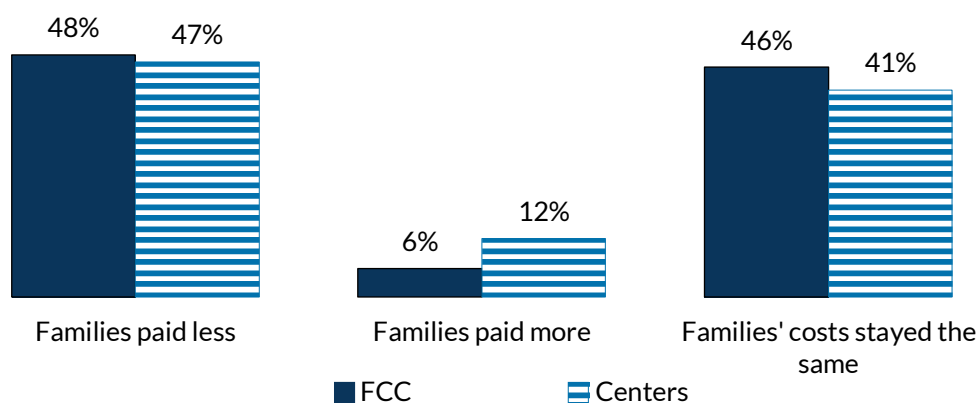
Note: *Statistically significant differences by provider type.

Source: Maryland Child Care Policy Research Partnership (MD CCPRP) 2021 Current Child Care Provider Survey

Provider's perceptions of the reimbursement rate increase

We also asked providers who were surveyed and interviewed whether they thought families were paying less following the November 2020 reimbursement rate increase and how the rate increase might have helped providers' budgets. Among surveyed providers who were aware of the increased reimbursement rate, roughly half (48% of FCC providers and 47% of center-based providers) reported that the policy change resulted in families paying lower out of pocket costs for tuition (see Exhibit 8). Slightly less than half (46% of FCC providers and 41% of center-based providers) reported that costs for families stayed the same. A small proportion of programs reported families paying more.

Exhibit 8. Perceptions of families' out-of-pocket costs following the reimbursement rate increase, as reported by child care providers who were aware of the reimbursement rate increase, by provider type (n = 333)



Source: Maryland Child Care Policy Research Partnership (MD CCPRP) 2021 Current Child Care Provider Survey

During interviews, providers were asked about the impacts that financial supports from MSDE had on their programs. Notably, providers had a difficult time distinguishing between increased reimbursement rates and EXCELS rating bonuses.

Generally, providers shared that these additional or increased funding supports had little to no impact on them or their program, though some providers discussed the nuance of this impact. For example, some explained that the increased reimbursement rate was solely going towards reducing a families' tuition/ the differential cost that families pay. Providers noted, however, that it could impact programs indirectly since in some cases it resulted in families having an easier time paying their tuition. One center-based provider shared, "I don't think that it's [the increased reimbursement rate] necessarily helped us because ... it just lowered the families' portion of what amount that family had to pay, so regardless, we're still getting the same amount of money from them all together, like the full tuition weekly payment is being made. It's just less of the payment being made from the family and more from the state." Other providers, however, discussed using additional funds to pay for [outstanding] bills (i.e., rent, utilities, COVID-19 PPE) and to support staff salaries. Providers noted that the additional financial supports have not been large enough to make a real difference in their finances or meeting the true cost of care. One center-based provider detailed how they distribute bonuses related to increased EXCELS ratings: "So sometimes they will go for equipment or materials, and sometimes they would just go for bonuses to our staff for maintaining their credentialing levels, because without their credential levels, I wouldn't be qualified for a Level 5. So, it helps us to retain and attract highly qualified teachers in our program."

Families' Experiences

This section describes study findings for each of our research questions related to families' experiences with the scholarship program:

1. How did families receiving scholarships search for and choose their providers?
 - a. What are the main reasons parents were searching for care during their most recent search?
 - b. How did parents look for providers during their most recent search (e.g., internet/apps, Maryland EXCELS website, referrals, etc.)?
 - c. Was it easy or difficult to find their current provider?

- d. How, if at all, was searching for care different with and without the scholarship?
2. How did parents first hear about the scholarship program?
3. What are families' experiences applying for the scholarship program? What changes would they recommend to improve the process?
4. Are more children who use scholarships participating in higher-rated providers after new policies went into place/when they received a scholarship? How does this vary by characteristics of families receiving a scholarship?

Search for care

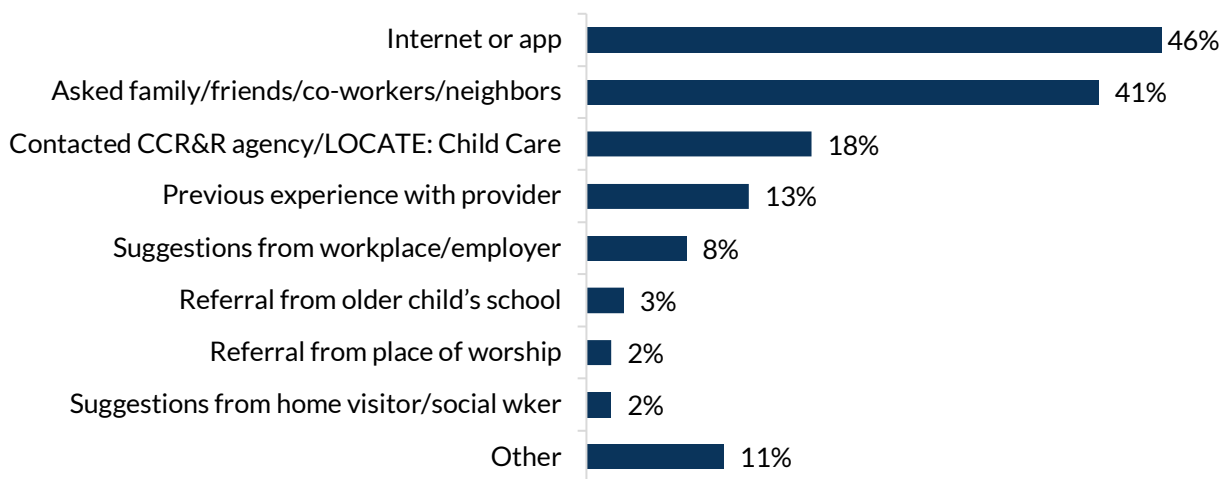
We asked families who receive scholarships about their experience searching for care, since understanding how families search for and choose their child care provider is important to create policies that align with the needs and preferences of families and to promote equity in access to high-quality care for all families. Based on parents who responded to the survey, the most common ways that parents searched for their most recent provider included using the Internet or an app (46%), asking families, friends, co-workers, or neighbors (41%), and contacting their regional Child Care Resource Centers or LOCATE: Child Care (18%) (see Exhibit 9).

"A lot of family members had recommended certain daycares, and then I would Google those daycares and read the reviews."

-Focus group participant

In focus groups, parents also frequently described using child care advertisements and noticing local child care facilities to find their child care provider. As one parent said, "I called quite a few providers, just the ones that I have seen driving past in the neighborhood that I lived in or near my job."

Exhibit 9. Percentage of Maryland parents that used a given method in their most recent search for a child care provider, among parents receiving a child care scholarship (n = 591)



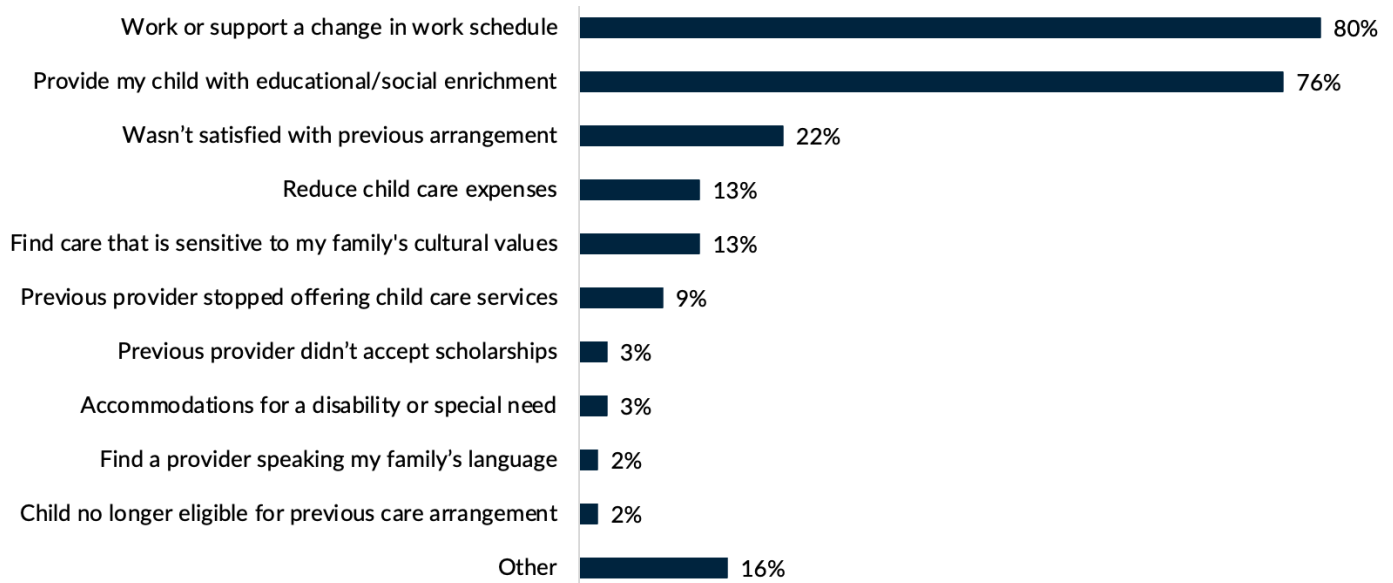
Note: There are fewer than 10 (unweighted) parents who reported "suggestions from health care provider" or "don't know", and thus the weighted estimates are not reported here.

Source: MD CCPRP 2021 Parent Survey

Among surveyed parents, the most common reasons for their most recent search included a change in work schedule (80%), wanting to provide their child with an educational or social enrichment (76%), and the parent was not satisfied with their previous care arrangement (22%) (see Exhibit 10).

Most parents indicated during focus groups that they would have experienced a negative financial impact had they not received the child care scholarship. Many parents shared that they wouldn't be able to work, or they would have had to reduce their work or child care hours to cover child care needs. One parent said, "It is critical to have the vouchers because many parents would not be able to stop working and would have to send their children as well to babysitters or neighbors or family." A few parents explained, however, that the scholarship didn't influence their choice of provider and they would have stayed with their same provider regardless of the scholarship. One parent said, "Even if I had or not had those vouchers, I was going to choose that childcare."

Exhibit 10. Percentage of Maryland parents reporting different reasons for their most recent search for a child care provider, among parents receiving a scholarship (n = 602)



Note: Parents were asked to select three main reasons for their most recent search for a child care provider, and thus the percentages do not sum up to 100 percent.

Source: MD CCPRP 2021 Parent Survey

While most surveyed parents, who received a scholarship to use a formal arrangement as of September 1, 2021, found that it was easy (76%) or somewhat easy (14%) to find a provider that accepts a child care scholarship during their last child care search,⁹ several parents in focus groups cited limited availability or space and lack of child care options in their area as common challenges. As one parent said, "I ended up calling around for a couple of weeks, and it was bad because everybody was full. There was a waiting list for up to two years." For rural-residing parents, finding a child care provider that accepts the child care scholarship can be especially difficult given a lack of available options. One parent said:

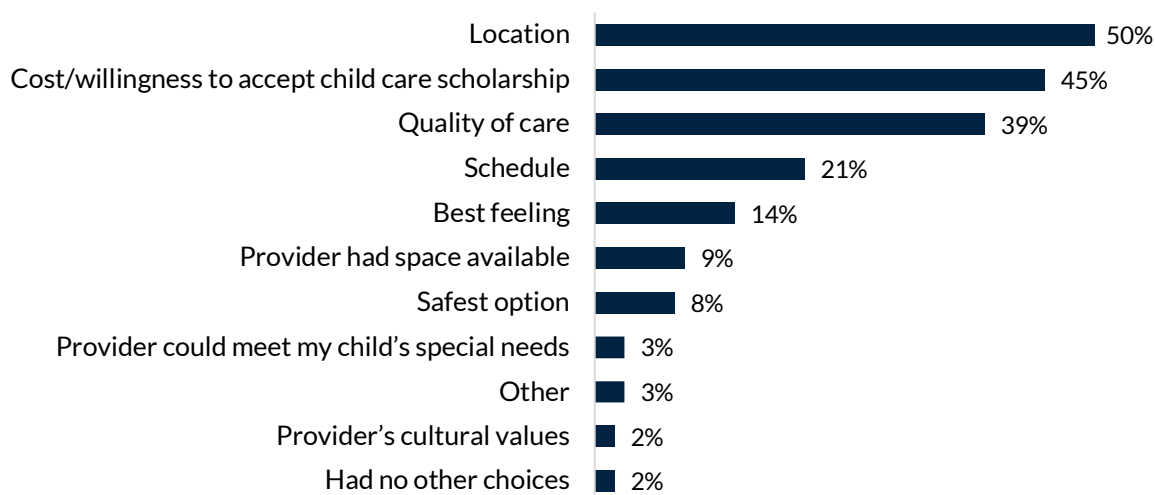
"There are not many daycares. I mean they're spread out so, you have to think of the distance you would go to pick up your child. You know and plus with the different daycares, there are certain age limits. So, some only accept older kids or they only have room for one little one...I think it limits the possibilities for me."

⁹ We did not ask parents specifically if they conducted their search during the pandemic when many programs were closed or operating at reduced capacity.

The three most common reasons that surveyed parents chose their child care providers were location (50%), cost or provider’s willingness to accept child care scholarship (45%), and quality of care (39%) (see Exhibit 11). In focus groups, parents reiterated these reasons and shared that the type of provider (center vs. FCC), availability, cleanliness, and safety were important considerations. Overall, parents described a combination of reasons for choosing their provider. As one parent said:

“Quality of care was extremely important to me. I just wanted to feel super comfortable with the provider. I prefer centers as well over home-based. And location was big because I wanted somewhere that kind of met in the middle of his other family members so that in case of like emergencies or something other people could get to him. Umm and cost of care as well...the cost of daycare is steadily rising, so something that would cost effective as well or just makes sense.”

Exhibit 11. Percentage of Maryland parents reporting different reasons for choosing their current child care provider, among parents receiving a scholarship (n = 577)



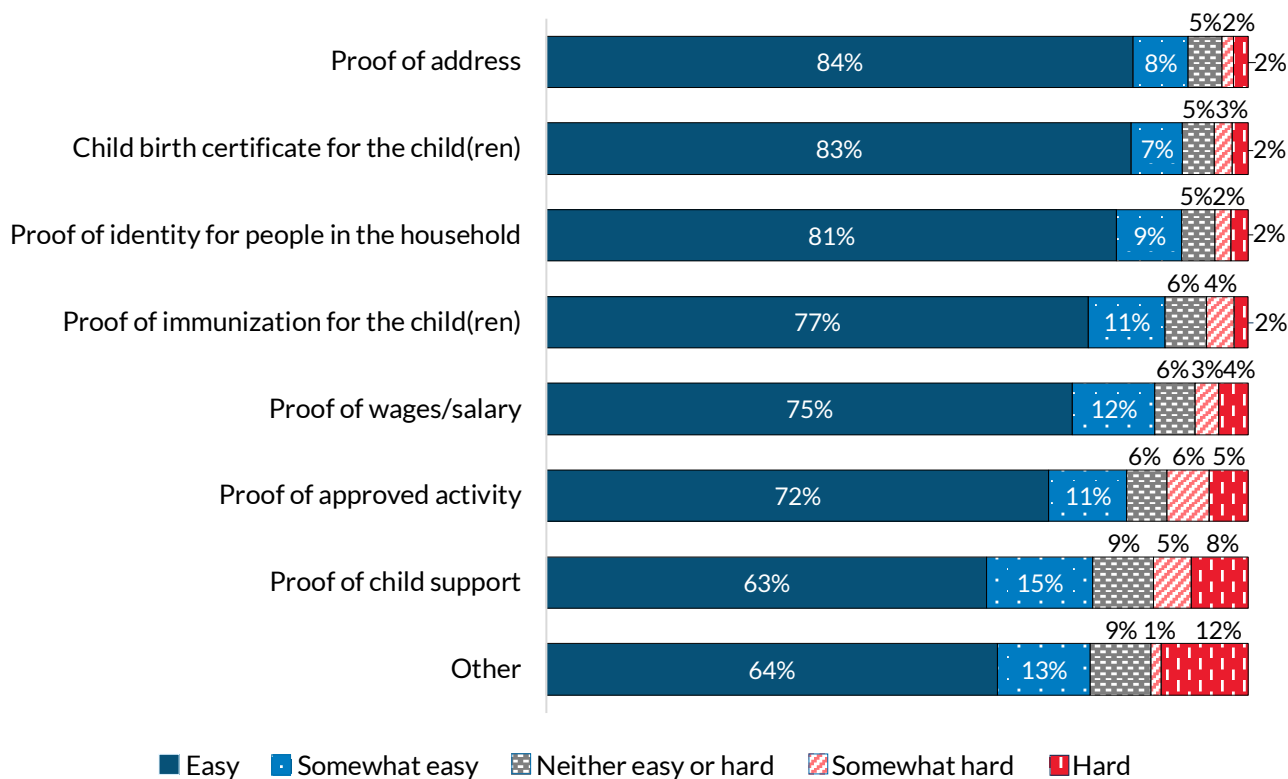
Note: Parents were asked to select two reasons why they chose their current child care provider, and thus the percentages do not sum up to 100 percent. There are less than 10 (unweighted) parents who reported “provider speaks my language”, and thus the weighted estimate is not reported here.

Source: MD CCPRP 2021 Parent Survey.

Scholarship program and application process

To apply for a Maryland child care scholarship, parents must complete an application form and provide several required documents, such as verification of approved work/training activity, proof of wages/salaries, proof of identity, and proof of child support (if applicable). To better understand families’ experiences applying for scholarship, we asked families about how easy or difficult the application process is. Among surveyed parents, most (75%) reported that it was easy/somewhat easy to provide all the required documents (see Exhibit 12), and 81 percent of parents reported that it was easy/somewhat easy to fill out the child care scholarship application. When asked about their experience applying for the child care scholarship, many focus group participants shared that the process was burdensome and time consuming, particularly when there were challenges submitting (and resubmitting) required materials and a lack of streamlined communication from CCSC 2 customer service representatives.

Exhibit 12. Percentage of Maryland parents reporting different perceptions of difficulty in submitting required documents during the Child Care Scholarship application process, among parents receiving a scholarship (n = 526 to 594)



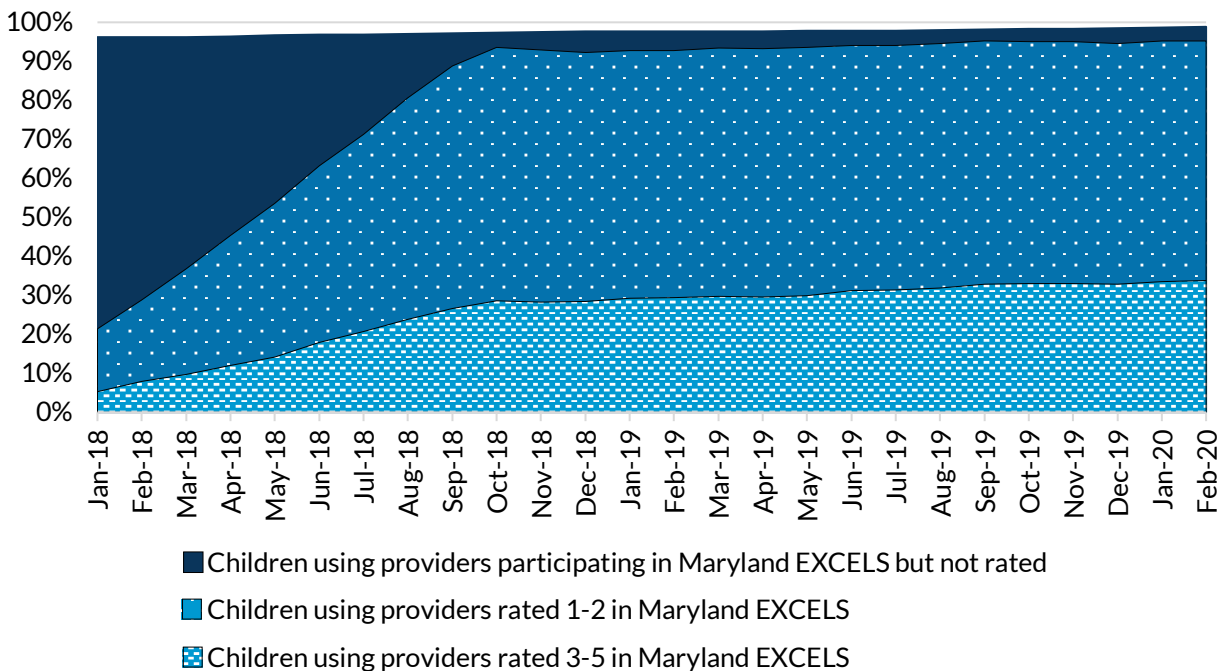
Note: Some required documents are not applicable to some parents (e.g., proof of child support), and parents who selected “not applicable” to the question are excluded from the counts for that specific question. Thus, the sample sizes are different across each of the required documents, ranging from 526 to 594.
Source: MD CCPRP 2021 Parent Survey.

Among parents who needed help with their application, about half (49%) said it was easy/somewhat easy to get someone from the State or CCSC 2 to help with the application, while 39 percent said it was hard/somewhat hard. In focus groups, parents described receiving inconsistent information from customer service representatives, long wait/hold times, and a lack of follow-up to parents after submitting the scholarship application. As one parent said, “Every time I submitted something someone would say ‘oh we didn’t get it,’ but then I would talk to another person, they would say ‘oh we got it.’ We’re just waiting on, you know, we’re just processing it.”

Access to higher-rated care

To better understand whether families were participating in higher-rated care following the policy changes of interest, we analyzed administrative data to explore whether children receiving a scholarship participated in higher-rated care following the policy changes that occurred between January 2018 and February 2020 in Maryland (see Box 1). The administrative data analyses show that during this period, there was a noticeable increase in the percentage of children with a scholarship that accessed higher-rated (Maryland EXCELS levels 3–5) providers (see Exhibit 13). We note that part of the reason for the significant increase in children who receive a scholarship enrolled in higher-rated programs is that a substantial number of providers in Maryland received a rating in 2018, following the requirement for providers to participate in Maryland EXCELS to receive a scholarship reimbursement.

Exhibit 13. Percentage of children with a scholarship using Maryland EXCELS providers, by rating status



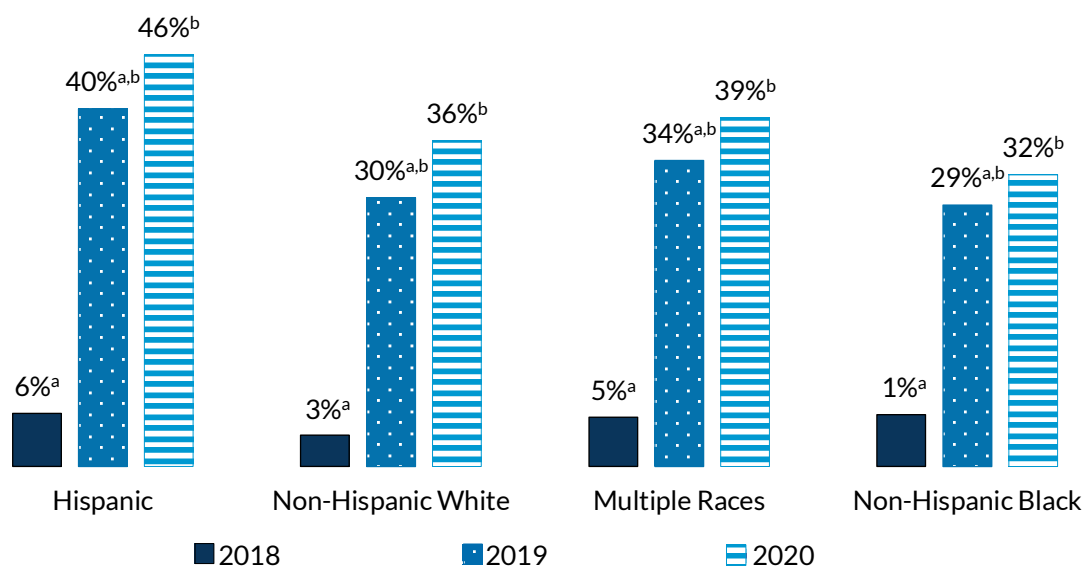
Note: Approximately 1–2 percent of children with a scholarship used family, friend, neighbor care providers, who did not participate in Maryland EXCELS.

Source: Authors’ analysis of the Maryland EXCELS data and the MSDE’s child-level scholarship data (2018–2020).

Access to higher-rated care by family demographics

We also explored whether access to higher-rated care following the policy changes varied by family demographics. Across all racial and ethnic groups, including Hispanic, non-Hispanic White, non-Hispanic Black, non-Hispanic Asian, non-Hispanic American Indian and Alaska Native (AIAN), and multiple races, there was a significant rise in the percentage of children with a scholarship who used higher-rated providers (levels 3–5) over time. Exhibit 14 shows the percentage of children with a scholarship who used higher-rated providers in each race/ethnicity group in January 2018, 2019, and 2020. Again, we note that part of the reason for the significant increase between 2018 and 2019 in children who receive a scholarship enrolled in higher-rated programs is that a substantial number of providers in Maryland received a rating in 2018, following the requirement that providers need to participate in Maryland EXCELS to receive a scholarship reimbursement.

Exhibit 14. Percentage of children with a scholarship who used higher-rated providers (Maryland EXCELS levels 3–5) over time, by race/ethnicity



Note: Findings for the Non-Hispanic Asian, Non-Hispanic Native Hawaiian, and American Indian and Alaska Native (AIAN) populations were not included in this exhibit due to the small sample size (< 20 individuals).

^aThe percentages are statistically significantly different between 2018 and 2019 ($p < 0.01$).

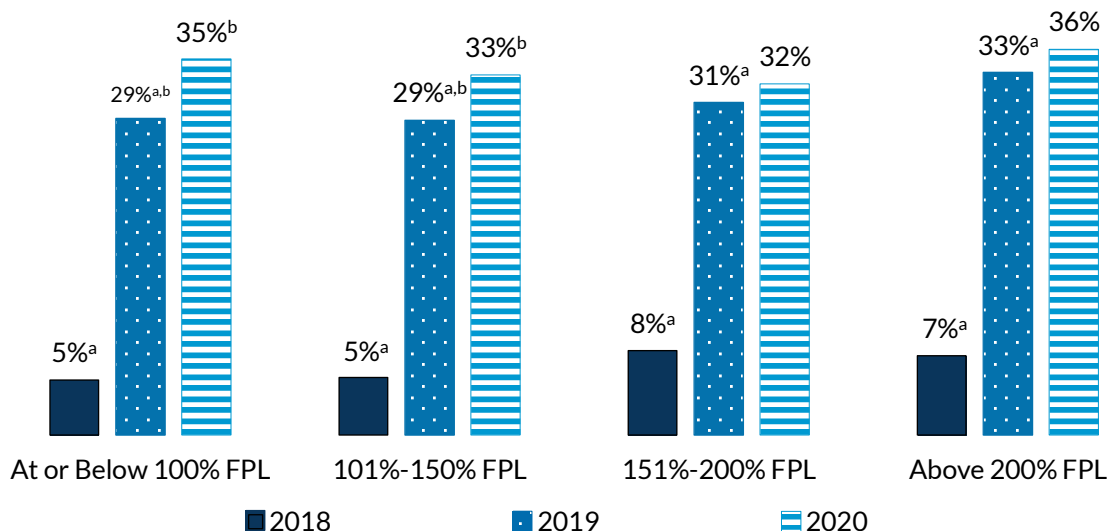
^bThe percentages are statistically significantly different between 2019 and 2020 ($p < 0.01$).

Source: Authors' analysis of Maryland EXCELS data and MSDE's child-level scholarship data (January 2018, January 2019, and January 2020).

Continued on next page.

Similarly, each income subgroup, whether at or below 100 percent FPL, at or below 150 percent FPL, at or below 200 percent FPL, or above 200 percent FPL, experienced an increase in the proportion of children using a scholarship who were enrolled in higher-rated care. Exhibit 15 shows the percentage of children with a scholarship who used higher-rated providers in each income group in January 2018, 2019, and 2020. The significant increase in the proportion of children accessing higher-rated care between 2018 and 2019 is likely due to the requirement to participate in Maryland EXCELS to receive a scholarship reimbursement.

Exhibit 15. Percentage of children with a scholarship who used higher-rated care (Maryland EXCELS levels 3–5) over time, by household income level



Note: ^aThe percentages are statistically different between 2018 and 2019 ($p < 0.01$).

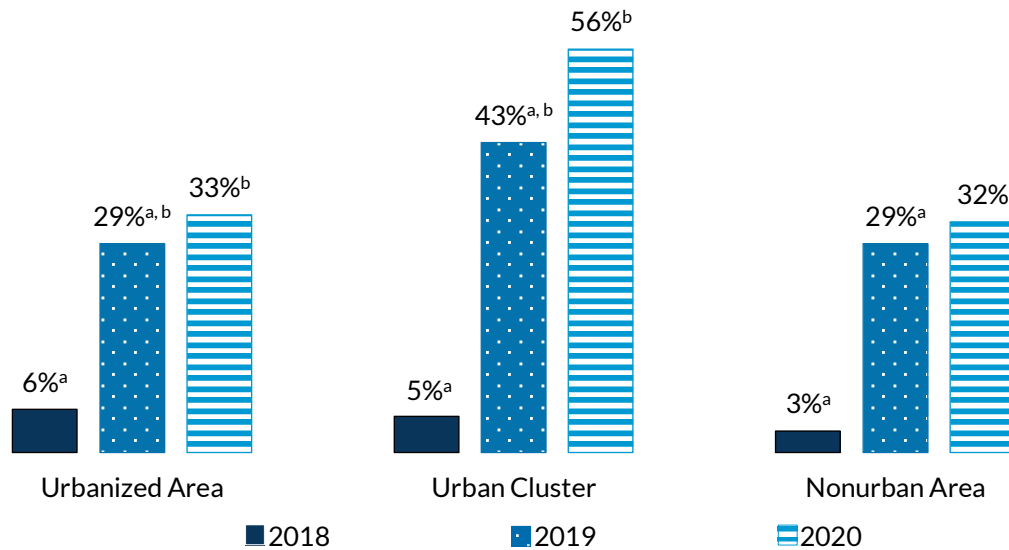
^bThe percentages are statistically different between 2019 and 2020 ($p < 0.01$).

Source: Authors' analysis of Maryland EXCELS data and MSDE's child-level scholarship data (January 2018, January 2019, and January 2020).

Similarly, there was a significant increase in the usage of higher-rated providers among children in both urban and nonurban communities,¹⁰ with a particularly pronounced change among those residing in urban clusters, from 2018 to 2020 (see Exhibit 16). It should be noted that the interpretation of these data is complex because the number of children in each urbanicity category varies. For example, though 56 percent of children with a scholarship in urban clusters used a higher-rated provider in January 2020, the absolute number of children was lower ($n = 340$) compared to the number of children with a scholarship in urbanized areas who used a higher-rated provider ($n = 6,381$, 33%). Again, the large increase between 2018 and 2019 in the proportion of children with a scholarship who used higher-rated care was likely due to the requirement to participate in Maryland EXCELS to receive scholarship reimbursement.

¹⁰ Urbanized areas are defined by the Census Bureau as areas with a population of 50,000 or more, while urban clusters encompass areas with a population of at least 2,500 but fewer than 50,000 people. Nonurban areas are defined as any population, housing, or territory outside urban areas. <https://www.census.gov/programs-surveys/geography/guidance/geo-areas/urban-rural/2010-urban-rural.html>

Exhibit 16. Percentage of children with a scholarship who used higher-rated providers (Maryland EXCELS levels 3–5) over time, by urbanicity



Note: Urbanized areas are defined by the Census Bureau as areas with a population of 50,000 or more, while urban clusters encompass areas with a population of at least 2,500 but fewer than 50,000 people. Nonurban areas are defined as any population, housing, or territory outside urban areas.

^a The percentages are statistically different between 2018 and 2019 ($p < 0.01$).

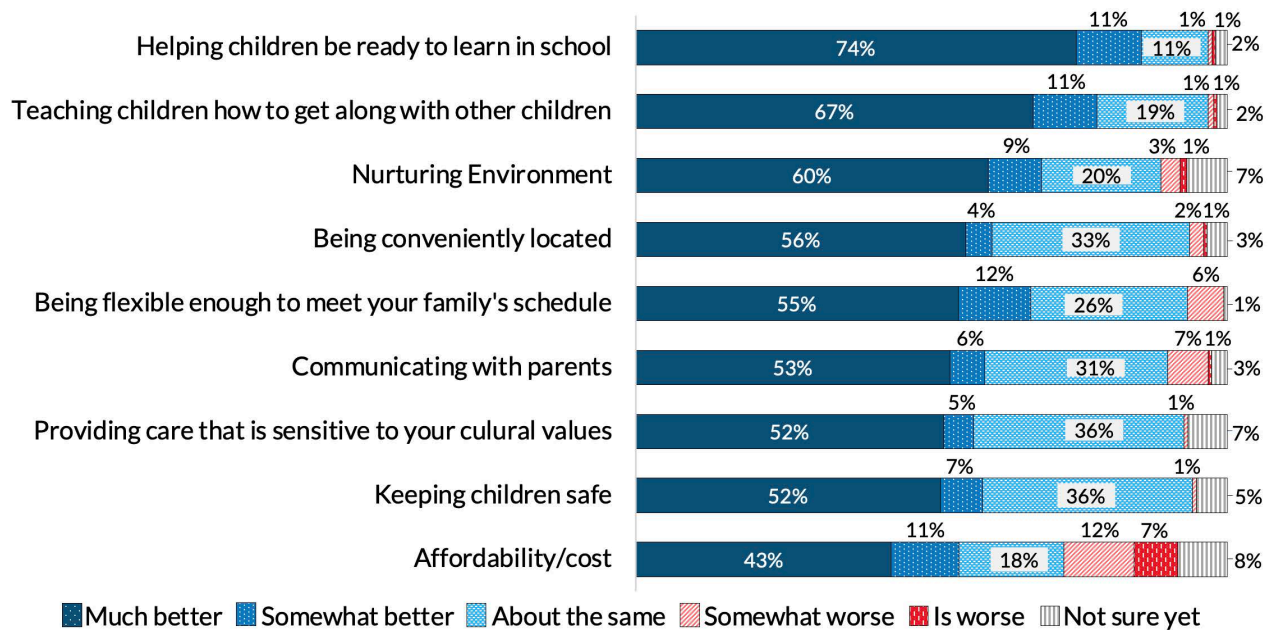
^b The percentages are statistically different between 2019 and 2020 ($p < 0.01$).

Source: Authors' analysis of Maryland EXCELS data and MSDE's child-level scholarship data (January 2018, January 2019, and January 2020).

Parents' perceptions of their provider's quality

We also surveyed parents who changed providers after receiving a scholarship whether they thought their child care scholarship helped them access high-quality care. Among surveyed parents who changed child care providers after receiving a scholarship ($n = 172$), most parents considered their current providers to be much better or somewhat better than their previous providers on all the quality indicators listed in the survey (see Exhibit 17). For example, compared to their previous providers, most parents reported their current providers were much/somewhat better at helping children be ready to learn in school (85%) and teaching children how to get along with others (78%). Among all the quality indicators, affordability/cost had the lowest number of parents considering their current provider as better than their previous providers. Although more than half of parents (54%) rated their current providers much/somewhat better than their previous providers in terms of affordability, 19 percent of parents considered their current provider worse or somewhat worse. In other words, one in five parents considered their current provider less affordable than their previous provider, even with a scholarship. Among these parents who considered their current provider less affordable than their previous provider, the vast majority switched to a center-based provider from a family, friend, or neighbor care provider or a nanny/babysitter, which would help explain why their current care arrangement, even with a scholarship, was less affordable.

Exhibit 17. Parents' ratings of their current provider's quality compared to their previous provider (n = 159 to 172)



Note. Only parents who had a previous provider before they received a child care scholarship were asked to compare care quality between their current and previous providers. Parents who did not respond to the question were excluded from the count of that specific question, and thus the sample sizes are different across quality ratings, ranging from 159 to 172.

Source: MD CCPRP 2021 Parent Survey.

Continued on next page.

Conclusions & Recommendations

Overall findings from our analyses revealed the following insights about providers' and families' perceptions of participating in the scholarship program and changes to participation in the scholarship program following several policy changes to the scholarship program.

1. There were increases in the percentage of licensed FCC providers and center-based providers caring for children with scholarships following the increases to both family income eligibility levels and provider reimbursement rates.
2. Most providers (73%) surveyed indicated that they were participating in the scholarship program or were willing to accept children with scholarships.
3. Providers participating in the scholarship program, however, noted several challenges to participating. Most of the challenges discussed were related to administrative practices such as delayed payments and paperwork burdens, although some providers said that the reimbursement rate was too low.
4. The majority of providers were aware of the recent increase in November 2020 to the scholarship reimbursement rate. Most providers who were aware of the rate increase also reported that the increased rate benefited families and resulted in families paying lower fees.
5. Most surveyed parents reported that it was easy or somewhat easy to fill out the child care scholarship application and provide all the required documents. However, parents in focus groups talked about the application process being time consuming, burdensome, and having difficulty communicating with the scholarship vendor—CCSC2.
6. Over one third of surveyed parents said that it was difficult to have staff at CCSC2 answer questions about the application.
7. Most surveyed parents who receive a scholarship also found that it was easy or somewhat easy to find a provider that accepts a child care scholarship, although limited availability or lack of child care options was a common challenge for families living in rural areas of the state.
8. There has been a significant rise in the percentage of children with a scholarship who use higher-rated programs (levels 3–5 in Maryland EXCELS), and this finding was consistent across families' income levels, race/ethnicity, and living in urban and nonurban communities.
9. Lastly, surveyed parents who changed providers after receiving a scholarship, generally reported that their new provider was much better or somewhat better on several quality indicators, but only about half thought their new provider was more affordable.

Since families and providers were surveyed and participated in focus groups in 2021 and 2022, MSDE has made several additional policy and practice changes to help stabilize child care following the COVID-19 pandemic. The following policy changes help address many of the challenges identified in this study, including:

- **Advanced, enrollment-based rather than attendance-based scholarship payments:** starting in 2023, MSDE paid providers the full amount of their scholarship enrollment every two weeks regardless of whether children were in attendance. Payments are also made in advance rather than retroactively. MSDE is also reducing the number of attendance verification audits by half (i.e., fewer providers will be audited, and providers will be audited less frequently).^{xxii} Collectively, these changes help to limit the paperwork needed and financial burdens on providers associated with retroactive payments.

- **Presumptive eligibility:** starting in 2023, families submit an abbreviated application form and are considered eligible while their full application is processed. This allows families to find a child care arrangement and/or have child care costs be covered sooner, and providers are reimbursed for that child immediately (rather than waiting for the application to be processed). If a family is found ineligible after completing their full application, a provider does not need to reimburse MSDE for the payments made.^{xxiii}
- **Provider and parent portal:** starting in 2023, families and providers will have access to an online system in English or Spanish for submitting paperwork. Families can submit initial applications, any interim changes, and redeterminations through the portal. Providers can submit invoices, confirm attendance, and submit any necessary documentation for payment purposes. This will help digitize the process and should allow families and providers to check on the status of their applications or payments more easily.^{xxiv}
- **Customer service updates:** MSDE has also made several changes to improve customer service for families and providers, including offering extended hours where families can reach MSDE staff for case management support and expanding the number of CCC2 staff who help process payments and paperwork to speed up processing time and help avoid payment delays.^{xxv}
- **Additional outreach to providers and families about policy changes:** findings from our survey of currently operating providers indicated that only 51 percent of FCC providers and 65 percent of center-based providers were aware of reimbursement rate increases. Additional outreach to providers, particularly to FCC providers, about policy changes will be helpful in potentially encouraging providers to participate in the scholarship program. Starting in 2023, MSDE is looking to expand its outreach efforts beyond holding listening sessions with child care advisory groups to hearing from a wider group of parents and providers, including those in historically underrepresented groups and the multilingual community.^{xxvi}
- **Increase in reimbursement rates:** reimbursement rates were increased to the 60th percentile of the market rate survey (MRS) in 2021 and then to the 70th percentile in 2022.^{xxvii}

These policy and practice changes are designed to help address many of the challenges reported by providers and families who participate in the scholarship program. The 2022 Maryland Child Care Policy Research Partnership (MD CCPRP) will explore the implementation of several of these policies.

Recommendations

In addition to the policy shifts discussed above, we recommend Maryland consider the following to continue to stabilize and support the child care sector:

- **Continue to monitor participation of providers and families in the scholarship program across different demographic groups following changes to income eligibility and reimbursement rates.** While increased access was greatest in higher-income communities following the 2015–2019 policy changes where many of the newly eligible, higher-income children likely resided, it will be important to determine if lower-income households maintain their level of scholarship participation.
- **Consider provider costs when setting reimbursement rates.** While MSDE has raised reimbursements rates considerably, states have also been encouraged to consider the costs for providing care when setting reimbursements rates. States have been encouraged to conduct narrow cost analyses.^{xxviii} Recent cost estimation models have recommended that these calculations should include living wages, health and retirement benefits, PTO, non-personnel costs (e.g., rent, utilities, program supplies and materials), and should account for different quality levels and serving different ages of children.^{xxix, xxx}
- **Reduce paperwork.** Explore ways that the family and provider online portals can streamline paperwork requirements and the forms that need to be submitted.

- **Hire staff who can support families and providers in multiple languages.** Ensure there are MSDE and CCSC2 staff who speak various languages to answer families' and providers' questions and offer case management services to help families and providers navigate the scholarship program.
 - **Provide additional resources and procedures to navigate the scholarship program.** Maryland recently funded staff at Child Care Resource Centers to assist families with navigating the scholarship program; they could also consider allowing providers to assist families with the application and redetermination materials. Families should also have resources available virtually, in-person, and by phone.

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