

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/CS/CS/HB 1199 Funding for School Readiness Program

**SPONSOR(S):** Appropriations Committee, Early Learning & Elementary Education Subcommittee, PreK-12 Appropriations Subcommittee, Grall

**TIED BILLS:** None **IDEN./SIM. BILLS:** None

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) PreK-12 Appropriations Subcommittee	13 Y, 0 N, As CS	Bailey	Potvin
2) Early Learning & Elementary Education Subcommittee	16 Y, 0 N, As CS	Wolff	Brink
3) Appropriations Committee	24 Y, 0 N, As CS	Potvin	Pridgeon

### SUMMARY ANALYSIS

Current law authorizes the Division of Early Learning (DEL) in the Department of Education (DOE) as the lead administrator for federal and state child care funds. The DEL is responsible for developing, adopting, and implementing quality standards and outcome measures that benefit and improve Florida's comprehensive early childhood care and education system. One of the three main early learning programs that the DEL oversees is the School Readiness (SR) program. The DEL administers the SR program at the state level and early learning coalitions (ELC) and the Redlands Christian Migrant Association administer the program at the county and regional levels. The SR program provides subsidies for child care services and early childhood education for children of low-income families; children in protective services who are at risk of abuse, neglect, abandonment, or homelessness; foster children; and children with disabilities.

Funding for the SR program comes from four sources:

- Federal Child Care and Development Block Grant.
- Federal Temporary Assistance for Needy Families Block Grant.
- Federal Social Services Block Grant.
- State General Revenue Fund.

The Legislature annually appropriates the SR program funds to the early learning coalitions and the Redlands Christian Migrant Association with eligible school readiness providers receiving their funding primarily from reimbursements from the coalitions and tuition payments by participating families.

The bill establishes a methodology for allocating the SR program funds to each ELC if the annual allocation is not determined in the General Appropriations Act (GAA) or the substantive bill implementing the GAA. The bill creates three new allocations, subject to legislative appropriations, for eligible SR providers to include:

- Gold Seal Quality Care Program allocation.
- Differential payment program allocation.
- Special needs differential allocation.

The bill establishes a distribution methodology for the ELCs to allocate SR program funds to eligible SR providers. The bill requires the principals of the Early Learning Programs Estimating Conference to adopt the official cost of care information and provide this information to the Legislature at least 90 days before the scheduled annual legislative session.

The bill does not have a fiscal impact. See Fiscal Comments.

The bill has an effective date of July 1, 2022.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

##### **School Readiness Program**

###### Overview

The Division of Early Learning (DEL) within the Department of Education (DOE) is the lead administrator for federal and state child care funds and is responsible for developing, adopting, and implementing quality standards and outcome measures that benefit and improve Florida's comprehensive early childhood care and education system.<sup>1</sup> The DEL partners with 30 local early learning coalitions<sup>2</sup> (ELC) and the Redlands Christian Migrant Association to deliver comprehensive early childhood care and education services statewide. One of the three main early learning programs that the DEL oversees is the School Readiness (SR) program.

Established in 1999,<sup>3</sup> the SR program provides subsidies for child care services and early childhood education for children of low-income families; children in protective services who are at risk of abuse, neglect, abandonment, or homelessness; foster children; and children with disabilities.<sup>4</sup> The SR program offers financial assistance for child care to these families while supporting children in the development of skills for success in school. Additionally, the program provides developmental screenings and referrals to health and education specialists where needed. These services are provided in conjunction with other programs for young children such as Head Start, Early Head Start, Migrant Head Start, Child Care Resource and Referral and the Voluntary Prekindergarten Program.<sup>5</sup>

The DEL administers the program at the state level and early learning coalitions administer the SR program at the county and regional levels. The program's two main goals are to help families become financially self-sufficient and to help each child from a qualifying family develop school readiness skills. These skills are measured by standards and outcomes adopted by the DEL as well as statewide screening of kindergarten students.<sup>6</sup>

Federal regulations governing the Child Care and Development Block Grant, the primary funding source for the SR program, authorize states to use grant funds for child care services, if:<sup>7</sup>

- the child is under 13 years of age, or at the state's option, under age 19 if the child is physically or mentally incapable of caring for himself or herself or under court supervision;
- the child's family income does not exceed 185 percent of the state's median income for a family of the same size; and
- the child:
  - resides with a parent or parents who work or attend job training or educational programs; or
  - receives, or needs to receive, protective services.

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<sup>1</sup> Florida Department of Education, Division of Early Learning Annual Report for Fiscal Year 2020-2021, *Improving Program Quality*, p. 12, available at [http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/DEL\\_Annual\\_Report\\_2020-21\\_FINAL\\_ADA.pdf](http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/DEL_Annual_Report_2020-21_FINAL_ADA.pdf) [hereinafter *Improving Program Quality*].

<sup>2</sup> Section 1002.83, F. S.

<sup>3</sup> Section 1, ch. 99-357, L.O.F.

<sup>4</sup> Sections 1002.81 and 1002.87, F.S.

<sup>5</sup> Division of Early Learning, *School Readiness Program*, <http://www.floridaearlylearning.com/school-readiness> (last visited Jan. 31, 2022).

<sup>6</sup> *Improving Program Quality* at 22, *supra*, note 1.

<sup>7</sup> See 45 C.F.R. s. 98.20(a).

Student enrollment in the SR program for the 2020-2021 school year, the most recent year data, was 209,801 as follows:<sup>8</sup>

Age Group	Enrollments	Percentage of Total Enrollments
Infants	7,588	4%
Toddlers	19,561	9%
2-Year Olds	26,515	13%
3-Year Olds	31,029	15%
4-Year Olds	31,317	15%
5-Year Olds	19,893	9%
School Age	73,637	35%
Special Needs	261	0%
<b>TOTAL</b>	<b>209,801</b>	<b>100%</b>

### School Readiness Providers

In order to be eligible to provide the SR program, a provider must be:<sup>9</sup>

- a licensed child care facility;
- a licensed or registered family day care home;
- a licensed large family day care home;
- a public school or nonpublic school;
- a license-exempt faith-based child care provider;
- a before-school or after-school program; or
- an informal child care provider authorized in the state's Child Care and Development Fund plan.

For Fiscal Year 2020-2021, there was a total of 6,760 providers offering the SR program with the following breakdown:<sup>10</sup>

Provider Type*	Enrollments	Percentage of Total Enrollments
Licensed Private	4,623	68%
Licensed/Registered Family Child Care Home	991	15%
Licensed Large Family Day Care Home	304	5%
Public/Nonpublic School	632	9%
License-exempt	210	3%
<b>TOTAL</b>	<b>6,760</b>	<b>100%</b>

\*No informal providers served SR children during Fiscal Year 2020-2021.

### School Readiness Funding

Funding for the SR program comes from four sources:<sup>11</sup>

- Federal Child Care and Development Block Grant.
- Federal Temporary Assistance for Needy Families Block Grant.
- Federal Social Services Block Grant.
- State General Revenue Fund.

<sup>8</sup> *Improving Program Quality* at 20, *supra*, note 1.

<sup>9</sup> Section 1002.88(1)(a), F.S.

<sup>10</sup> *Improving Program Quality* at 20, *supra*, note 1.

<sup>11</sup> *Id.* at 18.

The Legislature appropriates the SR program funds to the early learning coalitions and the Redlands Christian Migrant Association, with participating providers receiving their funding primarily from reimbursements from the coalitions and tuition payments by participating families.<sup>12</sup> The ELCs reimburse eligible school readiness providers with appropriated funds for each eligible child, either through child care certificates provided by parents or through contracted slots.<sup>13</sup> The reimbursement and co-payment amounts are determined locally by the early learning coalition, subject to approval by the DEL. Any additional amount a parent must pay is based on the difference between the provider's tuition rate and the sum of the reimbursement rate and required parent co-payment. Reimbursement amounts vary based on provider type and level of care, and co-payments are determined by the ELCs using a sliding fee scale.<sup>14</sup>

### School Readiness Market Rate

The Code of Regulations (C.F.R.) 45 Part 98 requires states receiving the Child Care and Development Block Grant to ensure equal access to child care by setting a fair market rate every two years.<sup>15</sup> Current law defines the "market rate" to mean the price that a child care or early childhood education provider charges for full-time or part-time daily, weekly, or monthly child care or early childhood education services.<sup>16</sup> The DOE is statutorily required to approve a market rate schedule until an alternative model has been approved by the federal Administration of Children and Families.<sup>17</sup>

Based in part on recommendations by the Office of Child Care within the federal Department of Health and Human Services, the DOE calculates the average market rate and the 75<sup>th</sup> percentile market rate, referred to as the prevailing market rate,<sup>18</sup> for each county to help the early learning coalitions determine provider reimbursement rates.<sup>19</sup> Market rates are established for the different provider types and different levels of care for each county.<sup>20</sup>

To calculate the market rates, the DEL sorts provider private pay rates for a given level of care within the county from highest to lowest, calculates the average market rate, and identifies the 75<sup>th</sup> percentile pay rate. Although there is no minimum threshold for provider reimbursement rates in law, the early learning coalitions must consider the market rate schedule in determining its own minimum reimbursement rates, which must be approved by the DEL.<sup>21</sup> In addition, a provider may receive additional funding above the minimum reimbursement rate if it qualifies for any of the following quality-based differentials:<sup>22</sup>

- Up to an additional 20 percent for Gold Seal Quality Care status.
- Up to an additional 10 percent for achieving certain CLASS scores identified in rule (also known as the quality performance incentive).
- An additional 5 percent for participating in a DEL-approved child assessment tool.

### Gold Seal Quality Care Program

In 1996, the Legislature establishes the Gold Seal Quality Care program to recognize child care facilities and family day care homes that have gone above the required minimum licensing standards to become accredited by recognized agencies whose standards reflect quality in the level of care and

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<sup>12</sup> Sections 1002.84(8) and 1002.89, F.S.; Specific Appropriation 83, section 2, ch. 2021-36, L.O.F.

<sup>13</sup> See rule 6M-4.500(1), F.A.C.

<sup>14</sup> Section 1002.895(4), F.S.; rules 6M-4.400(2) and 6M-4.500(1), F.A.C.

<sup>15</sup> See 45 C.F.R. § 98.45(a) and (c). Alternatively, states may set payment rates using an alternative methodology approved by the federal Administration for Children and Families.

<sup>16</sup> Section 1002.81(10), F.S.

<sup>17</sup> Section 1002.895(1), F.S.

<sup>18</sup> Section 1002.81(12), F.S.

<sup>19</sup> Section 1002.895(4), F.S.

<sup>20</sup> Section 1002.895(2)(a) and (b), F.S.

<sup>21</sup> See s. 1002.82(2)(o), F.S.; rule 6M-4.500(9), (10), and (11), F.A.C.

<sup>22</sup> See s. 1002.82(2)(o), F.S.; rule 6M-4.500(9), (10), and (11), F.A.C.

supervision provided to children<sup>23</sup>. The Gold Seal Quality Care program is not an accreditation but a designation with potential benefits to those that participate including, but no limited to:<sup>24</sup>

- A positive marketing tool for prospective parents.
- Tax exemptions – the Department of Revenue issues the exemption certificates for sales tax. This exemption is for certain educational materials. Each county property appraiser processes the application and issues the property tax exemption.
- Higher reimbursement for SR providers.
- Eligibility to participate in Voluntary Prekindergarten.

Participation in this program is voluntary and is available to all SR providers that meet the definition of child care with the exception of certain licensed-exempt school-age programs identified in chapter 65C-22.008(3), Florida Administrative Code.

In order to be approved by the DOE for participation in the Gold Seal Quality Care program, an accrediting association must apply to the DOE and demonstrate that it:<sup>25</sup>

- Is a recognized accrediting association.
- Has accrediting standards that substantially meet or exceed the Gold Seal Quality Care standards adopted by the State Board of Education.
- Is a registered corporation with the Department of State.
- Can provide evidence that the process for accreditation has, at a minimum, all of the following components:
  - Clearly defined prerequisites that a child care provider must meet before beginning the accreditation process.
  - Procedures for completion of a self-study and comprehensive onsite verification process for each classroom that documents compliance with accreditation.
  - A training process for accreditation verifiers to ensure inter-rater reliability.
  - Ongoing compliance procedures.
  - Procedures for the revocation of accreditation due to failure to maintain accrediting standards.
  - Accreditation renewal procedures that include an onsite verification occurring at least every 5 year.
  - A process to communicate issues that arise during the accreditation period with governmental entities that have a vested interest in the Gold Seal Quality Care program.

For a SR provider that has achieved Gold Seal Quality Care status, current statute authorizes that the provider receive a minimum of a 20 percent rate differential for each enrolled SR child by care level and unit of child care.<sup>26</sup>

### Differential Payment Program

In 2018, the Legislature established the differential payment program and required the program to be implemented no later than July 1, 2019.<sup>27</sup> The differential payment program is based on the quality measures adopted by the DOE and may not exceed a total of 15 percent for each care level and unit of child care for a child care provider. No more than 5 percent of the 15 percent total differential may be provided to providers who submit valid and reliable data to the statewide information system in the domains of language and executive functioning using a child assessment identified in statute. Providers below the minimum program assessment score adopted for contracting purposes are ineligible for such payment.<sup>28</sup>

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<sup>23</sup> See <http://www.floridaearlylearning.com/providers/gold-seal-quality-care-program> (last visited February 21, 2022).

<sup>24</sup> *Id.*

<sup>25</sup> Section 1002.945(3)(a), F.S.

<sup>26</sup> Section 1002.945(6), F.S.

<sup>27</sup> See ch. 2018-136, L.O.F.

<sup>28</sup> Section 1002.82(2)(o), F.S.

In the Fiscal Year 2021-2022 GAA, \$40 million from the Child Care and Development Block Grant Trust Fund is provided for purposes of implementing the differential payment program.<sup>29</sup>

### School Readiness Estimating Conference

Current law establishes several consensus estimating conferences to assist in a variety of governmental planning and budgeting functions. Data from consensus estimating conferences are used primarily in the development of the constitutionally-required Long-Range Financial Outlook, the Governor's budget recommendations, and the General Appropriations Act.<sup>30</sup>

Current law establishes the Early Learning Programs Estimating Conference to develop estimates and forecasts of the unduplicated count of children eligible for the school readiness program in accordance with the standards of eligibility established in s. 1002.87, F.S., and of children eligible for the Voluntary Prekindergarten Education Program in accordance with s. 1002.53(2), F.S., as the conference determines are needed to support the state planning, budgeting, and appropriations processes.<sup>31</sup>

The DEL is required to provide information on needs and waiting lists for the SR Program to the conference principals.<sup>32</sup>

The last Early Learning Programs Estimating Conference for the SR program was held on November 8, 2004.<sup>33</sup>

### Effects of Proposed Changes

The bill establishes a methodology for allocating the SR program funds to each ELC if the annual allocation is not determined in the GAA or the substantive bill implementing the GAA. The bill creates three new allocations, subject to legislative appropriations, for eligible SR providers to include:

- Gold Seal Quality Care Program allocation.
- Differential payment program allocation.
- Special needs differential allocation.

The bill requires the DOE to use funds from these three allocations to help meet the federal targeted requirements for improving quality as authorized in the approved state Child Care and Development Fund Plan.

The bill establishes a distribution methodology for the ELCs to allocate SR program funds to eligible providers.

The bill requires the principals of the Early Learning Programs Estimating Conference, established in s. 216.136, Florida Statutes, to annually develop official cost of care information based on actual school readiness direct services program expenditures and information provided pursuant to s. 1002.895, F.S. Conference principals must agree on the cost of child care by level and care type, provider type weights, and the methods of computation. The bill requires the DOE to provide all required and necessary data to the conference principals. The bill requires the Early Learning Programs Estimating Conference to provide the official cost of care information to the Legislature at least 90 days before the scheduled annual legislative session.

The bill clarifies that the market rate schedule must differentiate rates by specific provider types and requires the DOE to establish procedures to annually collect data regarding the cost of care to include,

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<sup>29</sup> See Specific Appropriation 83, Fiscal Year 2021-2022 General Appropriation Act, ch. 2021-36, L.O.F.

<sup>30</sup> See Office of Economic & Demographic Research, *Consensus Estimating Conferences*, <http://edr.state.fl.us/Content/conferences/index.cfm> (last visited Jan. 31, 2022).

<sup>31</sup> Section 216.136(8), F.S.

<sup>32</sup> *Id.*

<sup>33</sup> Office of Economic & Demographic Research, *Consensus Estimating Conferences*, <http://edr.state.fl.us/Content/conferences/index.cfm> (last visited Jan. 31, 2022).

but not limited to, data from the Department of Economic Opportunity's Bureau of Workforce Statistics and Economic Research and data from child care providers.

**B. SECTION DIRECTORY:**

**Section 1.** Amends s. 1002.81, F.S.; conforming a cross-reference to changes made by the act.

**Section 2.** Amends s. 1002.82, F.S., requiring the Department of Education to establish procedures for the calculation of the prevailing market rate and the annual collection of data; conforming cross-references to changes made by the act.

**Section 3.** Amends s. 1002.84, F.S., establishing the distribution methodology that early learning coalitions must use to distribute school readiness program funds to eligible providers; providing requirements for early learning coalitions.

**Section 4.** Amends s. 1002.85, F.S., revising the requirements for the school readiness program plan submitted to the Department of Education by early learning coalitions.

**Section 5.** Amends s. 1002.87, F.S.; conforming a cross-reference to changes made by the act.

**Section 6.** Amends s. 1002.89, F.S., providing for the determination of the school readiness program funding for early learning coalitions; providing requirements for such funding calculations.

**Section 7.** Amends s. 1002.895, F.S., providing for the determination of the market rate schedule; requiring the Department of Education to establish procedures for the annual collection of specified data; requiring the Department of Education to provide certain data to the Early Learning Programs Estimating Conference.

**Section 8.** Creates s. 1002.90, F.S., requiring the principals of the Early Learning Programs Conference to develop the official cost of care information; providing requirements for conference principals; requiring the Department of Education to provide conference principals with specified data; requiring the conference to annually provide the official cost-of-care information to the Legislature by a specified date.

**Section 9.** Amends s. 1002.92, F.S., requiring certain child care facilities to annually provide specified data to the statewide child care and resource and referral network.

**Section 10.** Provide the bill takes effect on July 1, 2022.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill creates three new school readiness allocations but states that each new allocation is subject to legislative appropriation. For the differential payment program allocation, the Fiscal Year 2021-2022 General Appropriations Act (GAA) provides \$40 million (\$16.7 million is nonrecurring) from the Child Care and Development Block Grant Trust Fund for the differential payment program. Current statute authorizes that a child care facility which has achieved Gold Seal Quality Care status shall receive a minimum of a 20 percent rate differential for each enrolled school readiness child by care level and unit of child care. The differential is currently paid from the early learning coalition's school readiness program allocation.

The bill requires the principals of the Early Learning Programs Estimating Conference to adopt the official cost of care information and provide the information to the Legislature at least 90 days before the scheduled annual legislative session. The bill also provides a formula to determine allocations to the ELCs if not otherwise provided for in the GAA or implementing legislation.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 27, 2022, the PreK-12 Appropriations Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment:

- Requires the conference principals of the Early Learning Programs Estimating Conference to annually develop the official cost of care information based on actual school readiness direct services programs expenditures and information provided pursuant to s. 1002.92(4), Florida Statutes;
- Requires the DEL to provide all required and necessary information to the conference principals; and
- Requires the Early Learning Programs Estimating Conference to provide the official cost of care information to the Legislature at least 90 days before the scheduled annual legislative session.

On February 2, 2022, the Early Learning & Elementary Education Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment establishes a funding formula for operational costs associated with the SR program and creates four funding allocations to reimburse ELCs for expenses related to:

- the Gold Seal Quality Care Program;



- program assessments;
- child assessments; and
- serving children with special needs.

On February 22, 2022, the Appropriations Committee adopted a strike-all amendment and reported the bill favorably as a committee substitute. The strike-all amendment:

- Establishes a methodology for allocating the school readiness program funds to each early learning coalition if the annual allocation is not determined in the General Appropriations Act (GAA) or the substantive bill implementing the GAA.
- Creates three new allocations, subject to legislative appropriations, for eligible school readiness providers to include: (a) Gold Seal Quality Care Program allocation, (b) differential payment program allocation, and (c) special needs differential allocation.
- Establishes a distribution methodology for the early learning coalitions to allocate the school readiness program funds to eligible providers.
- Requires the market rate schedule to differentiate rates by specified provider types.
- Requires the Department of Education to establish procedures to annually collect the cost of care data.
- Requires the principals of the Early Learning Programs Conference to annually develop the official cost of care information based on actual school readiness direct services programs expenditures and information provided pursuant to s. 1002.895, F.S.

The analysis is drafted to the committee substitute as passed by the Appropriations Committee.