

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCS for HB 929 School Readiness Program

SPONSOR(S): PreK-12 Appropriations Subcommittee

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: PreK-12 Appropriations Subcommittee		Bailey	Potvin

SUMMARY ANALYSIS

Established in 1999, the School Readiness program provides subsidies for child care services and early childhood education for children from low-income families as defined in statute; children in protective services who are at risk of abuse, neglect, abandonment, or homelessness; foster children; and children with disabilities.

The bill revises the definition of the term “economically disadvantaged” as used for the School Readiness program from having a family income that does not exceed 150 percent of the federal poverty level (FPL) to having a family income that does not exceed 55 percent of the state median income (SMI). This change will increase the number of children eligible for the School Readiness program.

The bill revises requirements for the sliding fee scale for families receiving School Readiness program services to include a new method to calculate parent co-payments at the time of eligibility determination and annually thereafter, regardless of the number of children.

The bill requires each early learning coalition (ELC) to use cost-of-care information collected by the Department of Education (DOE) when distributing the School Readiness program funds to eligible providers.

The bill revises a data element that the DOE is required to collect and report related to ELC delivery of early learning programs to align with the bill’s revised definition of “economically disadvantaged”. The bill also revises the report’s implementation date to July 1, 2025.

The bill requires the principals of the Early Learning Programs Estimating Conference to publish official cost-of-care information based on actual school readiness direct services program expenditures and information provided to the DOE pursuant to s. 1002.895(6), F.S., by June 1, 2024.

The bill specifies that beginning in Fiscal Year 2024-2025 and annually thereafter, the Early Learning Programs Estimating Conference must update the cost-of-care information based on any updates to the actual school readiness direct services program expenditures and information provided to the DOE pursuant to s. 1002.895(6), F.S.

For Fiscal Year 2024-2025, the bill provides the following two appropriations and places both in reserve:

- \$75,384,882 in nonrecurring funds from the Child Care and Development Block Grant Trust Fund to the DOE for the costs associated with the change of the income eligibility requirement to 55 percent of the SMI; and
- \$100 million in nonrecurring funds from the Child Care and Development Block Grant Trust Fund for the costs associated with the implementation of provider reimbursement rates based on the cost-of-care information.

Except as otherwise expressly provided, the bill takes effect July 1, 2024.

FULL ANALYSIS

This document does not reflect the intent or official position of the bill sponsor or House of Representatives .

STORAGE NAME: pcs0929.PKA

DATE: 1/12/2024

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

Established in 1999,¹ the School Readiness program provides subsidies for child care services and early childhood education for children from low-income families; children in protective services who are at risk of abuse, neglect, abandonment, or homelessness; foster children; and children with disabilities.² Additionally, the program provides developmental screening 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 Education (VPK) Program.³

The School Readiness program is a state-federal partnership between the DOE and the Office of Child Care of the United States Department of Health and Human Services.⁴ It is administered by the ELCs at the county or regional level.⁵ The DOE's Division of Early Learning (DEL) is the lead administrator of the program at the state level, including statewide coordination of the ELCs.⁶

Present Situation

School Readiness Program Eligibility

Federal regulations governing the Child Care and Development Block Grant Fund (CCDF),⁷ the primary funding source for the School Readiness program, authorize states to use grant funds for child care services if:

- 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 85 percent of the SMI 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.⁸

Within these broad federal eligibility categories, Florida law specifies that ELCs must admit children into the School Readiness program according to the following priorities:

- **First priority** is a child under 13 years of age from a family that includes a parent who is receiving temporary cash assistance and subject to federal work requirements⁹ or the parent

¹ Section 1, Ch. 99-357, Laws of Fla.

² Sections 1002.81 and 1002.87, F.S.

³ Florida Department of Education (DOE), Division of Early Learning (DEL), *What is School Readiness (SR)?*, <https://www.fldoe.org/schools/early-learning/parents/school-readiness.stml> (last visited Jan. 11, 2024).

⁴ Section 1002.82(1), F.S. *See also* U.S. Department of Health and Human Services, Office of Child Care (OCC), *OCC Fact Sheet*, <https://www.acf.hhs.gov/occ/comms-fact-sheet/occ-fact-sheet> (last visited Jan. 11, 2024).

⁵ Section 1002.83(1), F.S.

⁶ Section 1002.82, F.S., *See also* DOE, DEL, *What is School Readiness (SR)?*, <https://www.fldoe.org/schools/early-learning/parents/school-readiness.stml> (last visited Jan. 11, 2024).

⁷ 45 C.F.R. parts 98 and 99.

⁸ 45 C.F.R. s. 98.20(a). Florida does not provide school readiness funding for children 13-18 years of age who are physically or mentally incapable of self-care or under court supervision. *See* DOE, DEL, *Child Care and Development Fund (CCDF) Plan for Florida FFY 2022-2024*, at 83, available at <https://www.fldoe.org/core/fileparse.php/20628/urlt/2022-2024-CCDF-State-Plan.pdf> [hereinafter *CCDF State Plan*].

⁹ Section 445.024(2), F.S. Recipients of assistance under a state's Temporary Assistance for Needy Families Block Grant must meet federal work requirements. These work requirements require a state to meet or exceed minimum rates of recipients participating in "work activities," e.g., employment, education, job search, community service, and vocational training. 42 U.S.C. s. 607(a)-(d). Under Florida law, the maximum number of hours a recipient of subsidized child care, who is not otherwise exempt from work activity, may be required to work is 40 hours per week.

has an Intensive Service Account or an Individual Training Account under Florida's workforce one-stop delivery system.¹⁰

- **Second priority** is a child under the age of 9 who is at-risk.¹¹
- **Subsequent priority is based on a local ELC's assessment based on the needs of families and provider capacity for the following:**
 - A child, from birth to the beginning of the school year for which the child is eligible for kindergarten, from a working family that is economically disadvantaged¹² and may include such a child's eligible siblings who are eligible to enter kindergarten through the summer before sixth grade, provided that the ELC uses local revenues first.
 - A child of a parent who transitions from the work program into employment from birth through the summer before kindergarten.
 - An at-risk child, ages 9 – younger than 13. Such a child is given priority over other children if his or her sibling is enrolled in the School Readiness program under eligibility priorities 1 or 2 or the first bullet point of this section.
 - A child younger than 13 years of age from a working family that is economically disadvantaged.
 - A child younger than 13 years of age whose parent transitions from the work program into employment.
 - A child who is not younger than 3 years of age who has been determined eligible as a student with a disability and has a current individual education plan with a Florida school district. Such a child is eligible until he or she is old enough for kindergarten admission.
 - An eligible child who is also concurrently enrolled in the Head Start program and the VPK Program.¹³

“Economically disadvantaged” means having a family income that does not exceed 150 percent of the FPL and includes being a child of a working migratory family as defined by 34 C.F.R. s. 200.81(d) or (f) or an agricultural worker who is employed by more than one agricultural employer during the course of a year, and whose income varies according to weather conditions and market stability.¹⁴

Eligibility for the program must be reevaluated annually. Upon reevaluation, a child may not continue to receive School Readiness program services if he or she has ceased to be eligible. A child who is ineligible due to a parent's job loss or cessation of education or job training will continue to receive School Readiness program services for at least three months to enable the parent to obtain employment or resume education or job training.¹⁵

School Readiness Program Funding

Overview

Florida's School Readiness program funding is derived from four sources:

- The CCDF¹⁶
- The Temporary Assistance for Needy Families (TANF) Block Grant¹⁷
- The Social Services Block Grant (SSBG)¹⁸

¹⁰ See s. 445.009, F.S.

¹¹ Section 1002.81(1), F.S. The definition of an “at-risk child” includes, among other things, a child who is considered homeless or who may be experiencing abuse, neglect, abandonment, or exploitation.

¹² Section 1002.81(6), F.S.

¹³ Section 1002.87(1), F.S.

¹⁴ Section 1002.81(6), F.S. This definition is consistent with the requirements of 45 C.F.R. parts 98 and 99.

¹⁵ Section 1002.87(6), F.S.

¹⁶ A major purpose of the CCDF is to allow states to develop child care programs and policies that best suit the needs of children and parents. 45 C.F.R. s. 98.1.

¹⁷ Part A of Title IV of the Social Security Act, as codified in 42 U.S.C. ss. 601, et seq. The Temporary Assistance for Needy Families program provides states and territories with flexibility in operating programs designed to help low-income families with children to achieve economic self-sufficiency. USHHS, *Temporary Assistance for Needy Families (TANF)*.

¹⁸ Through the SSBG states provide essential social services that help achieve a myriad of goals to reduce dependency and promote self-sufficiency; protect children and adults from neglect, abuse and exploitation; and help individuals who are unable to take care of

- State General Revenue.¹⁹

The following chart shows the Fiscal Year 2023-2024 funding for Florida’s School Readiness program:

Funding Source	Amount
CCDF	\$874.2 million
TANF	\$94.1 million
SSBG	\$500,000
General Revenue	\$144.6 million

The School Readiness program funds are distributed to the ELCs based upon an allocation methodology established in statute.²⁰

Overview

School Readiness program funding for eligible providers comes primarily from reimbursements from the ELC and tuition payments by participating families.²¹ Each ELC reimburses participating providers with appropriated funds for each eligible child, either through child care certificates provided by parents or through contracted slots.²² The reimbursement and co-payment amounts are determined locally by ELCs, subject to approval by the DOE. 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 using a sliding fee scale.²³

Parent Sliding Fee - Co-payment

Each ELC must assess a co-payment for each child that participates in the School Readiness program. The co-payment is determined using a sliding scale so that participating families have equitable access to child care.²⁴ Each sliding fee scale must be approved by the DOE, which reviews the scale to determine whether it reflects annually released income limits, has an effective date no later than July 1 of that year, and that co-payments do not exceed 10 percent of a family’s income, regardless of the number of children in care. If the co-payment does exceed 10 percent, the ELC must justify that the co-payment is affordable in order for the scale to be approved by the DOE.²⁵ The co-payment may not be equal to or greater than the provider’s private pay rate.²⁶ Co-payments may also be waived on a case-by-case basis for an at-risk child or temporarily waived for a child whose family’s income is at or below the federal poverty level or whose family experiences a natural disaster or other event specified in law.²⁷

There is currently a proposed rule change by the federal HHS to establish a new federal benchmark for affordable family co-payments of seven percent of family income and to allow lead agencies more flexibility to waive co-payments for vulnerable families.²⁸

themselves to stay in their homes or to find the best institutional arrangements. USHHS, Social Services Block Grant Program, <https://www.acf.hhs.gov/ocs/programs/ssbg> (last visited January 12, 2024).

¹⁹ The Florida Department of Education, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019).

²⁰ Section 1002.89(1), F.S.

²¹ See ss. 1002.84(9) and 1002.89, F.S.; Specific Appropriation 77, s. 2, Ch. 2023-239, Laws of Fla.

²² See Rule 6M-4.500(1), F.A.C.

²³ See Rule 6M-4.400(1), F.A.C. The federal government has a proposed rule change that family co-payments cannot be more than seven percent of a family’s income; however, it does allow lead agencies to waive co-payments for certain families. See 45 C.F.R. 98.

²⁴ Rule 6M-4.400(1), F.A.C.

²⁵ *Id.*

²⁶ Rule 6M-4.400(2)(d), F.A.C.

²⁷ Section 1002.84(9), F.S.; Rule 6M-4.400(6), F.A.C.

²⁸ See Improving Child Care Access, Affordability, and Stability of the Child Care Development Fund, 88 Fed. Reg. 45,022 (July 13, 2023) (To be codified in 45 CFR Part 98).

Distribution Methodology

For purposes of distributing the School Readiness program funds to the eligible providers, each ELC is required to adopt a payment schedule that encompasses all eligible programs and that takes into consideration the prevailing market rates or an alternative model that has been approved by the Administration for Children and Families pursuant to 45 C.F.R. s. 98.45(c), to include the projected number of children to be served.²⁹

In 2022, the Legislature established a new distribution methodology for the ELCs to allocate School Readiness program funds to eligible providers; this methodology requires the utilization of the cost-of-care information.³⁰ The distribution methodology is as follows:

- For each county in the ELC, the cost-of-care by care level is multiplied by the county's comparable wage factor provided in s. 1011.62(2), F.S. For counties with an ordinance enacted prior to January 1, 2022, that establishes a staff-to-children ratio for licensed child care facilities below the ratio established by rules of the Department of Children and Families, the provider reimbursement rate is adjusted as specified in the General Appropriations Act.
- The minimum provider reimbursement rate by care level for each provider type is then adjusted by the weight established by the Early Learning Programs Estimating Conference.
- The weighted provider reimbursement rate is then multiplied by 22 percent to calculate the amount an ELC is eligible to retain for any combination of administrative costs, quality activities, and nondirect services.³¹
- Each eligible provider must receive the minimum provider reimbursement rate, by provider type and care level, regardless of the provider's private pay rate.³²

Cost-of-Care Information

Current law establishes the Early Learning Programs Estimating Conference (conference) to develop, as needed to support the state planning, budgeting, and appropriations processes, 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 VPK program in accordance with s. 1002.53(2), F.S.³³

In 2022, the Legislature required the principals of the conference to 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 care level and provider type, the provider type weights, and the methods of computation. The DOE must provide the conference principals with all requested and necessary data to develop such information. The data may include a matrix by early learning coalition of any full-time equivalent changes made by the DEL as part of its administration of the School Readiness program. The conference must provide the official cost-of-care information to the Legislature at least 90 days before the scheduled annual legislative session.³⁴

The last conference for the School Readiness program was held on November 8, 2004.³⁵

Data Collection and Reporting

In order to participate in the School Readiness program, each ELC must biennially submit a school readiness plan to the DOE for approval.³⁶ The plan must include, but is not limited to:

²⁹ Section 1002.84(17), F.S.

³⁰ See Ch. 2022-154, Laws of Fla.

³¹ Section 1002.89(4), F.S.

³² Sections 1002.84(17) and 1002.89(1)(a), F.S.

³³ Section 216.136(8), F.S.

³⁴ Section 1002.90, F.S. See Ch. 2022-154, Laws of Fla.

³⁵ See Office of Economic & Demographic Research, *Consensus Estimating Conferences*, <http://edr.state.fl.us/Content/conferences/index.cfm> (last visited January 11, 2024).

³⁶ Section 1002.85(2), F.S.

- The ELC’s operations, including its membership and articles of incorporation and bylaws, if applicable.
- The minimum number of children to be served by care level.
- The procedures for implementing program requirements such as single point of entry, uniform waiting list, eligibility and enrollment processes and local eligibility priorities, parent access and choice, sliding fee scale, payment rate, use of preassessments and postassessments, as applicable, and the use of contracted slots based on the ELC’s assessment of local priorities.
- A detailed description of the ELC’s quality activities and services, including resource and referral and school-age child care, infant and toddler early learning, inclusive early learning programs, and quality improvement strategies that strengthen teaching practices and increase child outcomes.
- A detailed budget outlining the estimated expenditures for state, federal, and local matching funds.
- A detailed accounting of all revenues and expenditures during the previous state fiscal year.
- Updated policies and procedures governing procurement, maintenance of tangible personal property, maintenance of records, information technology security, and disbursement controls.
- A description of the procedures for monitoring School Readiness program providers, including in response to a parental complaint, to determine that standards are met using a standard monitoring tool adopted by the DOE.
- Documentation that the coalition has solicited and considered comments regarding the proposed school readiness plan from the local community.
- An assessment of local priorities within the county or multicounty region based on the needs of families and provider capacity using available community data.³⁷

The DOE is required to collect and report data on ELC delivery of early learning programs. Elements must include, but are not limited to, measures related to progress towards reducing the number of children on the waiting list, the percentage of children served by the program as compared to the number of administrative staff and overhead, the percentage of children served compared to total number of children under the age of 5 years below 150 percent of the FPL, provider payment processes, fraud intervention, child attendance and stability, use of child care resource and referral, and kindergarten readiness outcomes for children in the VPK Program or the School Readiness program upon entry into kindergarten. The DOE must request input from the ELCs and School Readiness program providers before finalizing the format and data to be used. The results of the report must be included in the annual report under s. 1002.82, F.S.³⁸

Effect of Proposed Changes

The bill revises the definition of “economically disadvantaged” as used for the School Readiness program from having a family income that does not exceed 150 percent of the FPL to having a family income that does not exceed 55 percent of the SMI. This change will increase the eligible School Readiness program children by an estimated 10,131.08.

The bill requires each ELC to implement a parent sliding fee scale that provides for the calculation of a parent co-payment at the time of the eligibility determination and for an annual eligibility redetermination thereafter, which increases in percentage with a parent’s income, regardless of the number of children, as follows:

- A parent whose income is at or below 60 percent of the SMI is responsible for a co-payment of 3 percent of his or her income.
- A parent whose income is above 60 percent but at or below 65 percent of the SMI is responsible for a co-payment of 4 percent of his or her income.
- A parent whose income is above 65 percent but at or below 75 percent of the SMI is responsible for a co-payment of 5 percent of his or her income.
- A parent whose income is above 75 percent but at or below 80 percent of the SMI is responsible for a co-payment of 6 percent of his or her income.

³⁷ *Id.*

³⁸ Section 1002.85(5), F.S.

- A parent whose income is above 80 percent but at or below 85 percent of the SMI is responsible for a co-payment of 7 percent of his or her income.
- For a child receiving part-time care, the parent co-payment is 50 percent of the amount calculated above.

The bill requires each ELC to use cost-of-care information collected by the DOE when distributing School Readiness program funds to eligible providers.

The bill revises a data element that the DOE is required to collect and report related to the ELC delivery of early learning programs to align with the bill's revised definition of "economically disadvantaged" as having a family income that does not exceed 55 percent of the SMI. The bill also revises the report's implementation date to July 1, 2025.

The bill requires the principals of the conference to publish official cost-of-care information based on actual school readiness direct services program expenditures and information provided to the DOE pursuant to s. 1002.895(6), F.S. by June 1, 2024.

The bill specifies that beginning in Fiscal Year 2024-2025 and annually thereafter, the conference must update the cost-of-care information based on any updates to the actual school readiness direct services program expenditures and information provided to the DOE pursuant to s. 1002.895(6), F.S.

Furthermore, for Fiscal Year 2024-2025, the bill appropriates to the DOE from the Child Care and Development Block Grant Trust Fund and places in reserve:

- \$75,384,882 in nonrecurring funds for the costs associated with the change of the income eligibility requirement to 55 percent of the SMI as provided in the bill. The DOE is authorized to submit budget amendments requesting the release of funds pursuant to chapter 216, F.S., with release contingent upon the submission of an allocation plan in accordance with the requirements of s. 1002.89(1), F.S.
- \$100 million in nonrecurring funds for allocation to the ELCs in accordance with s. 1002.84(17), F.S. The DOE is authorized to submit budget amendments requesting the release of funds pursuant to chapter 216, F.S., with release contingent upon the submission of an allocation plan that is developed by the DOE in collaboration with the ELCs.

B. SECTION DIRECTORY:

Section 1: Amends s. 1002.81, F.S., revising the definition of the term "economically disadvantaged".

Section 2: Amends s. 1002.84, F.S., revising requirements for the sliding fee scale for families receiving school readiness program services; requiring each ELC to use certain information collected by the DOE.

Section 3: Amends s. 1002.85, F.S., revising requirements for the data elements that must be collected and reported by the DOE; revising the date by which the report must be implemented.

Section 4: Amends s. 1002.90, F.S., requiring certain data to be used when establishing cost-of-care for school readiness.

Section 5: Providing an appropriation.

Section 6: Providing an appropriation.

Section 7: Providing an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill appropriates \$75,384,882 in nonrecurring funds from the Child Care and Development Block Grant Trust Fund for the costs associated with the change of the income eligibility requirement to 55 percent of the SMI. This estimated amount is based on the Fiscal Year 2022-2023 number of School Readiness program full-time equivalent (FTE) children and ELC reimbursement rates which is the most recently available data.³⁹ It is estimated that the \$75,384,882 will fund an additional 10,131.08 FTE as follows:

Care Level	Number of School Readiness FTE
Infant	459.26
Toddler	1,229.31
2 Year Old	1,700.28
Preschool 3	1,887.59
Preschool 4	1,780.34
Preschool 5	749.00
School Age	2,317.19
Special Needs	8.11

The bill appropriates \$100 million in nonrecurring funds from the Child Care and Development Block Grant Trust Fund for allocation to the ELCs in accordance with the distribution methodology established in s. 1002.84(17), F.S.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Based upon the alignment of the provider reimbursement rates to the cost-of-care, for some ELCs and their eligible providers there may be an increase in funding for eligible School Readiness program children.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill does not provide any additional rulemaking authority; however, rules adopted under existing authority will need to be amended to conform with the provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES