

STORAGE NAME: h0869a.ft
DATE: April 8, 1999

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: HB 869 (PCB CF 99-01)

RELATING TO: Child Care

SPONSOR(S): The Committee on Children and Families and Representative Murman

COMPANION BILL(S): Similar SB 2092

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) Children and Families 7 Yeas 0 Nays
 - (2) Finance & Taxation YEAS 12 NAYS 0
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

House Bill 869 addresses child care quality improvements. The bill makes the following changes:

- ▶ Exempts from sales tax purchases of educational materials and educational toys by child care facilities that qualify as Gold Seal Quality Care programs and provide health insurance.
- ▶ Creates Institutes of Excellence in Infant and Toddler Development to improve child care practices.
- ▶ Expands subsidized child care to 200 percent of poverty.
- ▶ Establishes an Early Head Start Collaboration Grants program to assist local agencies in securing Head Start programs.
- ▶ Authorizes the department to establish a health care insurance buy-in option through the state employees' health insurance program for certain center-based, subsidized child care providers.
- ▶ Establishes a framework for the observational and developmental assessment of young children.
- ▶ Increases training requirements for child care personnel to 40 hours and adds additional child developmental and observational skill requirements.
- ▶ Establishes an 80-hour training requirement for child care directors.
- ▶ Allows for the establishment of specialized child care facilities for the care of mildly ill children.
- ▶ Creates a statewide toll-free line to provide technical assistance to child care providers regarding health, developmental, disabilities and special needs issues in children.
- ▶ Requires additional training for family day care home operators.
- ▶ Allows licensed Gold Seal certified child care providers to be reimbursed at the market rate for child care services for children who are eligible to receive subsidized child care.
- ▶ Creates a family group day care home classification and allows these homes to participate in the Gold Seal Quality Care program.

See section III for the fiscal impact of the bill.

The bill shall take effect July 1, 1999.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Participation in an early childhood education program can provide preschoolers with skills and enrichment that can increase their chances of success in school. Studies have demonstrated that participation in high-quality, early childhood education programs has short-term positive effects on IQ and achievement, and long-term positive effects on low-income minority children's school completion.

Currently, there are three major publicly funded early child care and education programs for young children: the subsidized child care program, administered by the Department of Children and Families; the Prekindergarten Early Intervention Program, administered by the Department of Education; and, the Head Start program, administered through various local agencies by contract with the federal government.

Subsidized Child Care

Florida has operated a subsidized child care program for approximately 20 years. Subsidized child care is a state and federally funded program. The purpose of the current subsidized child care program, administered by the Department of Children and Families, as described in s. 402.3015, F.S., is "to provide quality child care to enhance the development, including language, cognitive, motor, social, and self-help skills of children who are at risk of abuse or neglect and children of low-income families." The goal is to promote financial self-sufficiency and life skills for the families of these children. The department subsidizes the cost of child day care services for children under the age of 13 who are:

- Determined to be at risk of abuse and neglect and who are current clients of the department;
- At risk of welfare dependency (e.g., welfare clients, migrants, teen parents and working families whose family income is less than 100 percent of the federal poverty level; and
- Members of working families whose family income is between 100 and 150 percent of the federal poverty level.

Fueled by Florida's welfare reform efforts, subsidized child care enrollments are on the rise, up from 69,185 for June 1996 to 111,150 for July 1998. Children of families participating in Florida's Wages Program make up the largest proportion of the subsidized child care enrollments with the state meeting 100 percent of the need for these families. The program's budget for FY 98/99 is \$436,337,719.

The Department of Children and Families licenses child care facilities and family day care homes. It also maintains a registry of family day care homes that are not subject to licensure. As of July 1998, the department licensed 6,052 child care facilities and 4,771 family day care homes. It has registered 3,581 family day care homes. Counties may assume licensing and inspection authority if a county's locally adopted licensing standards meet or exceed state standards.

Greater emphasis on accountability has placed demands on early childhood programs to assess the progress of children. The benefits of accountability are almost universally accepted. Florida's statutes require outcome performance measures approved by the Legislature. The performance-based measure approved for child care programs requires that 80 percent of children leaving subsidized child care programs to enter kindergarten be ready for school.

The emerging professional consensus regarding the screening and assessment of children to determine readiness is still fluid. In addition, the use of the screening and assessment information also requires careful consideration to take advantage of the data it produces and to avoid misuse. The trend is to reshape child care so that it is a quality readiness experience, thus making child care arrangements look even more often like education programs but without the funding of schools and the resources that come with that funding.

Early Brain Development

The key findings of the current brain research can be summarized in the following points (Rethinking the Brain, Families and Work Institute, 1997) :

- ▶ Human development hinges on the interplay between nature and nurture. Neuroscientist have found that throughout the entire process of development, beginning before birth, the brain is affected by environmental factors such as nutrition, care, surroundings, and the amount of stimulation that an individual receives.
- ▶ Early care has a decisive and long-lasting impact on how people develop, their ability to learn, and their capacity to regulate their own emotions. Neuroscientist have found that a strong, consistent, secure attachment to a nurturing care giver can have a protective biological function that assists a child to cope with their ordinary stress.
- ▶ The human brain has a remarkable capacity to change, but timing is crucial. While learning continues throughout a lifetime, there are optimal periods during which the brain is particularly efficient at specific types of learning.
- ▶ There are times when negative experiences or the absence of appropriate stimulation are more likely to have serious and sustained effects. Conditions that prevent a baby from making a secure attachment with a care giver, prevent healthy stimulation of the child, expose a child to harmful substances or introduce unusual stress are likely to impair the cognitive and social development of the child.

State employees' health care insurance benefits

The state employees' health care insurance benefits are only for active state employees, retirees, dependents of active employees or retirees, survivors, and COBRA eligibles. The program is offered under s. 110.123, F.S., and Section 125 of the Internal Revenue Code, which may have provisions governing the addition of non-employee/retiree beneficiaries to the program. The state employees' health care insurance is administered by the Division of State Group Insurance.

Sales tax

Chapter 212, F.S. provides that a sales and use tax be imposed on the retail sale or lease of tangible personal property. The general sales tax rate is 6%. Local governments are authorized to levy one or more of six types of Local Discretionary Sales Surtaxes, ranging from up to 0.5 percent to 1.0 percent each. The purchase of educational materials and educational toys is subject to sales tax.

B. EFFECT OF PROPOSED CHANGES:

The bill makes changes in law to improve the quality of child care.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

Yes.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes.

Contingent on specific appropriations, the bill creates a new program that allows the Department of Children and Families to award collaboration grants for Early Head Start programs.

Authorizes the department to establish a health care insurance buy-in option through the state employees' health insurance program for center-based, subsidized child care providers who provide child care services paid for in whole or in part by the department.

Requires the department to establish a system for the observational and developmental assessment of young children.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes.

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Yes. The cost of subsidized child care is on a sliding ability-to-pay scale.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

No.

- (5) Are families penalized for not participating in a program?

No.

- b. Does the bill directly affect the legal rights and obligations between family members?

No.

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

- (1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Sections: 212.08, 240.3821, 402.3015, 402.281, 402.3016, 402.3017, 402.302, 402.3027, 402.305, 402.3051, 402.3108, 402.313 and 402.3131.

E. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 212.08, F.S.

An exemption from sales and use tax is created on purchases of educational materials, such as glue, paper, paints, crayon, unique craft items, scissors, books, and educational toys when made by a child care facility that holds a Cold Seal Quality Care designation and provides basic health insurance to all employees.

Section 2. Creates s. 240.3821, F.S.

Subject to the availability of funds, creates Institutes of Excellence in Infant and Toddler Development to address issues related to school readiness and child development in children age birth to 3 years. The functions of the institutes include:

- ▶ Outreach efforts to include support for professionals,
- ▶ Development of demonstration sites to be used by the community, and
- ▶ Development and implementation of specialized training courses and programs for child care personnel that includes an articulation mechanism among educational institutions and promotes career advancement.

The bill requires that the initial designation of Institutes of Excellence must be provided by the Legislature, through the General Appropriations Act. It also requires institutes to report to the School Readiness State Governing Board the number of persons receiving services, the number of children evaluated and served, and other measures of performance as approved by the local readiness council.

Section 3. Amends s. 402.281, F.S.

Allows family group day care homes to participate in the Gold Seal Program certification.

Section 4. Amends s. 402.3015, F.S.

Expands participant eligibility for subsidized child care to 200 percent of poverty.

Section 5. Creates s. 402.3016, F.S.

Contingent upon specific appropriations, establishes an Early Head Start Collaboration Grants program to assist local agencies in securing programs by providing required matching funds. The grants are awarded to competing agencies through an application procedure. Minimum requirements for grant applicants are provided and the department is given rule making authority to adopt further requirements.

Section 6. Creates s. 402.3017, F.S.

Authorizes the department to establish a health care insurance buy-in option through the state employees' health insurance program for center-based, subsidized child care providers who provide child care services paid for in whole or in part by the department.

The program allows a licensed child care center serving children in the subsidized child care program to participate in the state employees' health insurance program. The cost of the premiums are paid by the employer/employee and the state:

- If at least 50 percent of the licensed capacity of the provider are children in the subsidized child care program, the center-based child care provider pays 50 percent of the monthly premiums.
- If at least 40 percent of the licensed capacity of the provider are children in the subsidized child care program, the center-based child care provider pays 60 percent of the monthly premiums.
- If at least 30 percent of the licensed capacity of the provider are children in the subsidized child care program, the center-based child care provider pays 70 percent of the monthly premiums.

The department is given specific authorization to promulgate rules and regulations which affect the intent and further define the terms and provisions of this section.

Section 7. Amends s. 402.302, F.S.

Creates a family group day care home classification as a child care arrangement option. A family group day care home must first operate as a licensed family day care home and have an operator who has a child associate credential or equivalent for a period of 3 consecutive years. A family group day care home is allowed to provide care for one of the following groups of children, which includes those children under 13 years of age who are related to the care giver:

- ▶ A maximum of 8 children from birth to 12 months of age.
- ▶ A maximum of 12 children, with no more than 4 under the age of 12 months.

Section 8. Creates s. 402.3027, F.S.

Establishes a framework for the observational and developmental assessment of young children. It creates an observational and assessment system based on three levels.

Level I.-

The purpose of Level I assessments is to identify and monitor normal development or possible developmental delay using a behavioral checklist. All 1-,2-,3-, and 4-year-old children in care must be screened every six months using a department approved developmental observation checklist. The results indicated by the checklist must be reviewed by the centers child development associate or community child care coordinating agency.

Level II.-

The purpose of Level II assessments are to determine whether a delay identified in the Level I assessment can be addressed by the child care center or home or whether a special program or further assessment is needed. A Level II assessment must be conducted by trained professional staff. The department is required to establish procedures to develop individualized learning plans, implement intensive language and/or math activities provided by a visiting specialist, and implement parent training and home visits.

Level III.-

The purpose of Level III assessment is to determine eligibility for early intervention programs. It is conducted by providers such as, Medicaid/EPST, Children's Medical Services, and other health services and early intervention services.

Section 9. Amends s. 402.305, F.S.

Increases training requirements for child care personnel to 40 hours and adds additional child developmental and observational skill requirements.

Establishes an 80-hour training requirement for child care directors.

Allows for the establishment of specialized child care facilities for the care of mildly ill children.

Section 10. Amends s. 402.3051, F.S.

Allows licensed, exempt or registered Gold Seal child care providers to be reimbursed at the market rate for child care services for children who are eligible to receive subsidized child care.

Section 11. Amends s. 402.3055, F.S.

Technical and conforming changes.

Section 12. Creates s. 402.3018, F.S.

Contingent upon specific appropriations, this section requires the Department of Children and Families to establish or contract for a statewide and regional toll-free Warm-Line for the purpose of providing assistance and consultation to child care centers and family child care homes regarding health, developmental, disability, and special needs issues of the children they are serving; particularly children with disabilities and other special needs.

Section 13. Amends s. 402.313, F.S.

Increases training requirements for family day care homes from a 3-hour to a 30-hour training course that must include:

- ▶ State and local rules and regulations which govern child care.
- ▶ Health, safety, and nutrition.
- ▶ Identifying and reporting child abuse and neglect.
- ▶ Child development, including typical and atypical language, cognitive, motor, social, and self-help skills development.
- ▶ Observation of developmental behaviors, including using a check list or other similar observation tools and techniques to determine where a child is developmentally.
- ▶ Specialized areas, as determined by the department, for owner-operators of family day care homes.

Family day care homes that are licensed on June 30, 1999 must meet the new requirement by June 30, 2001.

Family day care homes that come on-line from July 1, 1999 to September 30, 1999 must meet the new requirement by October 1, 1999.

Family day care homes that come on-line from on or after October 1, 1999 must meet the new requirement before they become operational.

Section 14. Creates s. 402.3131, F.S.

Establishes licensing standards for family group day care homes. The standards include:

- ▶ screening
- ▶ a 40-clock-hour introductory course
- ▶ other standards as determined by the department through rules.

Section 15. Amends s. 943.0585, F.S., 1998 Supplement

Technical and conforming changes.

Section 16. Amends s. 943.059, F.S., 1998 Supplement.

Technical and conforming changes.

Section 17. Provides an effective date of July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

<u>Sales tax exemption</u>	FY 1999-00	FY 2000-01
General Revenue	(\$0.2M)	(\$0.2M)
Trust Fund	(*)	(*)
Local Government	(*)	(*)

Expands subsidized child care for eligibility 0-5 to 200 percent for 22,677 children between 150 percent & 200 percent of poverty--\$46,771,125.

Developmental observation checklist and assessment--\$260,000.

Head Start collaboration grants--\$250,000.

State employees' health care insurance benefits:

The Division of State Group Insurance assumes that the center-based child care providers will pay a certain percentage of the premium (as defined by the bill) and the state, either a state agency or the state employee health care insurance trust funds, will pay the rest of the premiums. Other assumptions for this bill analysis are:

- Proportion of individual and family contracts is estimated (by DCF) to be 30 percent and 70 percent respectively. This assumption is based on the information that 39 percent of the proposed beneficiaries are single, but 35 percent of the eligible have dependent children. The current contract mix for active state employees is 37 percent and 63 percent respectively.
- The DCF expects 100 day care centers per year to achieve the Gold Seal Standards. Of the 100 centers, 30 to 40 percent will meet the percentage of subsidized children to licensed capacity requirements to participate in the buy-in program.
- The numbers of employees in day care centers expected to meet the participation requirements, as defined by section 7 of the PCB were provided by the DCF.
- The percent increase of proposed beneficiaries is approximated by the percent increase in volume of day care centers which meet the participation standards in the future years.
- The costs are based on premiums for 1999.

Estimates for 77 centers who now meet Gold Seal and participation standards.

% Req of Lic Cap	% Pd by State	# Employees	Estim Indv	Estim Family	1999 Indiv Mo premium	1999 Family Mo premium	Annual Cost to State
>50%	50%	155	53	122	207.24	470.20	\$410,089
40-50%	40%	250	75	175	207.24	470.20	\$469,574
30-40	30%	325	98	227	207.24	470.20	\$457,362
		750	226	524			\$1,337,025

Future Projections

Year	Additional Centers	# of Centers	Volume Increase	Annual Inflation	Annual Cost to State
2000		77	45.5%	9.0%	\$1,337,000
2001	35	112	31.3%	9.0%	2,120,377
2002	35	147	23.8%	9.0%	3,034,669
2003	35	182	19.2%	9.0%	4,095.021
2004	35	217	16.1%	9.0%	5,320.617
2005	35	252	13.9%	9.0%	6,733.148
2006	35	287	12.2%	9.0%	8,359.319
2007	35	322	10.9%	9.0%	10,223.328
2008	35	357	9.8%	9.0%	12,358.093
2009	35	392			14,790.428

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See III.A.2.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

See III.A.2.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Employers that choose to provide health insurance in order to qualify for tax incentives will incur a cost associated with these activities.

2. Direct Private Sector Benefits:

Centers that provide health insurance benefits to employees are exempt from payment of sales tax on educational materials.

Staff turnover and the cost of training new staff could be reduced if an employer provides health insurance to child care staff.

3. Effects on Competition, Private Enterprise and Employment Markets:

Incentives in the bill should lead to improvements in the quality of child care, reduce employee turnover and the cost associated with the turnover.

D. FISCAL COMMENTS:

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

V. COMMENTS:

By the Committee on Finance and Taxation:

The sales tax exemption created by section one of the act may cause administrative difficulties for both the Department of Revenue and the child care facilities because the term "educational materials" is not clearly defined. The bill lists the following as included educational materials: glue, paper, paints, crayon, unique craft items, scissors, books, and educational toys. For example, the facilities and the Department may have trouble determining what is an unique craft item versus a nonunique craft item, or what is an educational toy versus a noneducational toy.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 8, 1999, the Committee on Finance and Taxation adopted two amendments.

The first amendment provides legislative intent that licensed Gold Seal Quality child care facilities shall be considered educational institutions for the purposes of qualifying for exemption for ad valorem tax. The amendment has not been addressed by the Revenue Estimating Conference, but the fiscal impact on local governments is expected to be less than (\$1.0) million.

The second amendment provides an ad valorem tax exemption for a licensed child care facility operating in an enterprise zone. The amendment has not been addressed by the Revenue Estimating Conference, but the fiscal impact on local governments is expected to be less than (\$1.0) million.

STORAGE NAME: h0869a.ft

DATE: April 8, 1999

PAGE 12

VII. SIGNATURES:

Committee on Children and Families:

Prepared by:

Bob Barrios

Staff Director:

Bob Barrios

AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Lynne Overton

Staff Director:

Alan Johansen