

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Education

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BILL: SB 1700

INTRODUCER: Senator Gruters

SUBJECT: School Readiness Program Funding

DATE: January 24, 2022

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Brick	Bouck	ED	<b>Favorable</b>
2.			AED	
3.			AP	

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**I. Summary:**

SB 1700 removes the limitations in state law on all state, federal, and local matching funds provided to an early learning coalition to fund its school readiness program.

The bill requires, before the distribution of any funds appropriated in the General Appropriations Act for the school readiness program, the Division of Early Learning within the Department of Education to conduct an allocation conference. The bill requires the conference principals to include representatives of the Division of Early Learning, the Executive Office of the Governor, and the appropriations committees of the Senate and the House of Representatives.

The bill does not require the additional expenditure of state funds.

The bill takes effect July 1, 2022.

**II. Present Situation:**

The school readiness 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, or abandonment, and children with disabilities.<sup>1</sup> About 11 percent of Florida's approximately 1.3 million children younger than age 6 are in the school readiness program.<sup>2</sup>

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<sup>1</sup> Section 1002.87, F.S.

<sup>2</sup> Office of Early Learning, School Readiness, <http://www.floridaearlylearning.com/school-readiness#:~:text=There%20are%20approximately%201.1%20million,readiness%20services%20from%207%2C676%20providers>. (last visited Jan. 21, 2022).

During the 2020 fiscal year, the school readiness program averaged a waiting list of 12,609 children.<sup>3</sup>

### Regulatory Structure

The school readiness program is administered as a state-federal partnership between Florida's Department of Education (DOE) and the Office of Child Care of the United States Department of Health and Human Services.<sup>4</sup> The DOE administers the program at the state level, including the statewide coordination of early learning coalitions, who administer the program at the county or regional level.<sup>5</sup>

Florida's school readiness program funding is derived from four sources—the Child Care and Development Fund (CCDF)<sup>6</sup>, the Temporary Assistance for Needy Families (TANF) Block Grant,<sup>7</sup> the Social Services Block Grant (SSBG),<sup>8</sup> and state general revenue.<sup>9</sup>

### Child Care and Development Fund

CCDF funds are governed by applicable federal requirements.<sup>10</sup> Every three years, Florida submits a CCDF Plan which serves as the state's application for these funds. The plan provides a description of, and assurances about, the state's child care program and all services available to eligible families.<sup>11</sup>

CCDF funds are generally distributed to states four times per year and include specific allotments for discretionary, mandatory and matching funding. States must also meet minimum maintenance of effort requirements.<sup>12</sup>

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<sup>3</sup> Division of Early Learning, *Division of Early Learning Annual Report* (2021), 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).

<sup>4</sup> Section 1002.82, F.S.

<sup>5</sup> Sections 1002.82-1002.83, F.S.

<sup>6</sup> 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.

<sup>7</sup> 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 (TANF) program provides states and territories with flexibility in operating programs designed to help low-income families with children achieve economic self-sufficiency. USHHS, *Temporary Assistance for Needy Families (TANF)*, <https://www.acf.hhs.gov/ofa/programs/temporary-assistance-needy-families-tanf> (last visited Jan. 21, 2022).

<sup>8</sup> 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 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 Jan. 21, 2022).

<sup>9</sup> The Florida Department of Education and Office of Early Learning, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019), available at <https://www.fldoe.org/core/fileparse.php/7749/urlt/OELFundingMethodology.pdf>.

<sup>10</sup> 45 C.F.R. parts 98 and 99.

<sup>11</sup> Florida Child Care and Development Fund Plan, FFY 2019-2021, available at [http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/CCDBG\\_FY2019-2021CCDFPlanFINAL\\_FINAL\\_4.9.19.pdf](http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/CCDBG_FY2019-2021CCDFPlanFINAL_FINAL_4.9.19.pdf).

<sup>12</sup> The Florida Department of Education and Office of Early Learning, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019), available at <https://www.fldoe.org/core/fileparse.php/7749/urlt/OELFundingMethodology.pdf>.

Discretionary funds are based on a formula that considers the number of children under age five, the ratio of children receiving free or reduced-price lunches, and per capita income. Mandatory funds are based on the state's federal share of expenditures, and matching funds are the remaining amounts appropriated after the mandatory funds are allotted.<sup>13</sup>

A State's allocation of the matching fund is based on the number of children under age 13 in the state compared with the national total of children under age 13. Matching funds must be matched by a state at its applicable Federal Medical Assistance Percentage (FMAP) rate.<sup>14</sup> At least 70 percent of matching funds must be used to meet the child care needs of families who are:<sup>15</sup>

- Receiving assistance under a state program under the Block Grants to States for TANF;
- Attempting through work activities to transition off such assistance program; and
- At risk of becoming dependent on such assistance program.

In addition to the state's share of the matching fund, in order to receive federal matching funds, the state must spend a minimum amount of non-federal funds on allowable child care activities as described in the state's approved CCDF Plan.<sup>16</sup>

### **School Readiness Program Funding**

The DOE is the lead agency in Florida for administering the CCDF.<sup>17</sup> Across the state, 30 regional early learning coalitions and the Redlands Christian Migrant Association (RCMA) are responsible for delivering local services, including the school readiness program.<sup>18</sup>

Funding for the school readiness program is allocated among the early learning coalitions in accordance with state law and the General Appropriations Act.<sup>19</sup> The DOE provides instructions for early learning coalitions to administer school readiness program funding in accordance with the policies of the Legislature.<sup>20</sup>

Each early learning coalition is required to establish a sliding fee scale that provides for a parent copayment that is not a barrier to families receiving school readiness program services.<sup>21</sup> All cost

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<sup>13</sup> The Florida Department of Education and Office of Early Learning, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019), available at <https://www.fldoe.org/core/fileparse.php/7749/urlt/OELFundingMethodology.pdf>.

<sup>14</sup> The Federal Medical Assistance Percentages (FMAPs) are used in determining the amount of Federal matching funds for State expenditures for assistance payments for certain social services, and State medical and medical insurance expenditures. The Social Security Act requires the Secretary of Health and Human Services to calculate and publish the FMAPs each year. The Florida Department of Education and Office of Early Learning, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019), available at <https://www.fldoe.org/core/fileparse.php/7749/urlt/OELFundingMethodology.pdf>.

<sup>15</sup> 45 C.F.R. s. 98.50(e).

<sup>16</sup> The Florida Department of Education and Office of Early Learning, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019), available at <https://www.fldoe.org/core/fileparse.php/7749/urlt/OELFundingMethodology.pdf>.

<sup>17</sup> Section 1002.82(1), F.S.

<sup>18</sup> The Office of Early Learning, *Coalitions*, <http://www.floridaearlylearning.com/coalitions.aspx> (last visited Jan. 21, 2022). See also 1002.83(1), F.S.

<sup>19</sup> Section 1002.89(1), F.S.

<sup>20</sup> Section 1002.89(2), F.S.

<sup>21</sup> Section 1002.84(9), F.S.

savings and all revenues received through a mandatory sliding fee scale must be used to increase the number of children served.<sup>22</sup>

State, federal, and local matching funds provided to an early learning coalition for purposes of the school readiness program must be used for implementation of its approved school readiness program plan, including the hiring of staff to effectively operate the school readiness program.<sup>23</sup> Costs are required to be kept to the minimum necessary for the efficient and effective administration of the school readiness program with the highest priority of expenditure being direct services for eligible children.<sup>24</sup>

No more than 5 percent of the funds to implement the school readiness program may be used for administrative costs, and no more than 22 percent may be used in any fiscal year for any combination of administrative costs, quality activities, and nondirect services.

Nondirect services are those services not defined as administrative, direct, or quality services that are required to administer the school readiness program. Such services include, but are not limited to:<sup>25</sup>

- Assisting families to complete the required application and eligibility documentation.
- Determining child and family eligibility.
- Recruiting eligible child care providers.
- Processing and tracking attendance records.
- Developing and maintaining a statewide child care information system.

Expenditures for administrative costs, quality activities, and nondirect services comprised 21.05% of the total expenditures in the 2020-2021 fiscal year.<sup>26</sup>

### ***Market Rate***

States administering funds from the CCDF are required to conduct a statistically valid and reliable survey of the market rates for child care services or an alternative methodology, such as a cost estimation model, that has been pre-approved by the U.S. Administration for Children and Families (ACF) and approved by the lead state agency.<sup>27</sup>

Many child care providers report that they are unable to set published prices that reflect the full cost of providing quality services because parents would be unable to pay these prices. As a result, the published prices reflected in market rate surveys are not always adequate to cover providers' full costs, particularly for high-quality care. A cost estimation model is an alternative methodology that accounts for key factors in determining the payment schedule. Key factors

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<sup>22</sup> Section 1002.89(3), F.S.

<sup>23</sup> Section 1002.89(4), F.S.

<sup>24</sup> Section 1002.89(5), F.S.

<sup>25</sup> Section 1002.89(5)(c), F.S.

<sup>26</sup> Division of Early Learning, *Division of Early Learning Annual Report (2021)*, 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), at 5.

<sup>27</sup> 45 C.F.R. s. 98.45.

account for costs that vary across submarkets, such as age and sparsity, and include, for example:<sup>28</sup>

- Staff salaries and benefits.
- Training and professional development
- Curricula and supplies
- Group size of children and staff-child ratios
- Enrollment levels.
- Program size.
- Facility costs.

The DOE is required to establish procedures for the adoption of a market rate schedule for the school readiness program until an alternative model that has been approved by the ACF is available for adoption.<sup>29</sup> The schedule must include, at a minimum, county-by-county rates, differentiated by type of child care provider and the type of child care services provided. Rates must be differentiated for the types of providers by:<sup>30</sup>

- The minimum and the maximum rates for child care providers that hold a Gold Seal Quality Care (GSQC) designation.<sup>31</sup>
- Child care providers that do not hold a GSQC designation.
- Licensed child care facilities.
- Public or nonpublic schools exempt from licensure.
- Faith-based child care facilities exempt from licensure.
- Licensed large family child care homes.
- Licensed or registered family day care homes.

The market rate schedule must also differentiate rate by the type of child care services provided, including services provided for:<sup>32</sup>

- Children with special needs or risk categories.
- Infants, toddlers, preschool-age children, and school-age children.
- Full-time and part-time child care.

Early learning coalitions are required to consider the market rate schedule in the adoption of a payment schedule. The payment schedule must consider the prevailing market rate,<sup>33</sup> include the projected number of children to be served by each county, and be submitted for approval by the DOE.<sup>34</sup>

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<sup>28</sup> U.S. Office of Child Care, Early Childhood Training and Technical Assistance System, *Market Rates and Costs*, available at [https://childcareta.acf.hhs.gov/ccdf-fundamentals/occ-approved-alternative-methodology#\\_ednref2](https://childcareta.acf.hhs.gov/ccdf-fundamentals/occ-approved-alternative-methodology#_ednref2) (last visited Jan. 21, 2022).

<sup>29</sup> Section 1002.895(1), F.S.

<sup>30</sup> Section 1002.895, F.S.

<sup>31</sup> A provider seeking a Gold Seal Quality Care designation must satisfy standards enumerated in s. 1002.945, F.S., and apply to an accrediting association approved by the DOE. Section 1002.945, F.S.

<sup>32</sup> Section 1002.895, F.S.

<sup>33</sup> The prevailing market rate is the biennially determined 75th percentile of a reasonable frequency distribution of the market rate by program care level and provider type in a predetermined geographic market at which child care providers charge a person for child care services. Section 1002.81(12), F.S.

<sup>34</sup> Section 1002.895(4), F.S.

Reimbursement rates for school readiness providers are paid based on a child's care level and unit of care<sup>35</sup> as defined by the early learning coalition's approved provider rate schedule for the county in which the provider's facility is located.<sup>36</sup>

The 2019 market rate report includes a state summary that reflects market rates by provider type and service type. For example, the average daily market rate in the state for GSQC designated private child care centers was \$42.01 for services provided to infants.<sup>37</sup> The 75<sup>th</sup> percentile rate for the same services was \$48.26.<sup>38</sup> The reimbursement rate for GSQC designated private centers was \$36.00. For private centers without a GSQC designation, the average market rate was \$36.71 for services provided to infants, and the 75<sup>th</sup> percentile rate was \$40.00, and the reimbursement rate was \$30.00.<sup>39</sup>

### ***Differential Payments***

The DOE has established rules providing for higher reimbursement rates for certain school readiness providers. Specifically, a provider may be reimbursed:<sup>40</sup>

- Up to 20 percent above the base reimbursement rate for serving a school readiness child that has a documented physical, mental, emotional, or behavioral condition that requires a higher level of care in the child care setting.
- Up to 20 percent above the base reimbursement rate for achieving a GSQC designation.
- Up to 5 percent above the base reimbursement rate for completing child assessments with a DOE-approved assessment tool. The assessments must be conducted by teachers determined reliable, as defined by the child assessment tool, at least three times per year.<sup>41</sup> Eligible providers must submit valid and reliable data to the statewide information system.
- Up to 10 percent above the base reimbursement rate depending on the provider's level of performance on a program assessment adopted by the DOE that measures the quality of teacher-child interactions, including emotional and behavioral support, engaged support for learning, classroom organization, and instructional support for children.<sup>42</sup> A provider receives a 4 percent differential for achieving a score of 4.00 on the program assessment;

<sup>35</sup> A child's care level corresponds with the age or special needs of the child. The school readiness care levels are infant, toddler, two year-old, preschool three, preschool four, preschool five, in school, and special needs. The unit of care is distinguished by the extent of service provided to the child, grouped by full-time, part-time, and before or after school care. See Form OEL-SR 20, available at <https://www.flrules.org/Gateway/reference.asp?No=Ref-11273>, at 36.

<sup>36</sup> Rule 6M-4.500, F.A.C.

<sup>37</sup> Office of Early Learning, *2019 Market Rate Report: State Summary*, available at <http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/Market%20Rate%20FY1920%20Report%20Full%20Time%20Statewide%20Summary-ADA-Final.pdf>.

<sup>38</sup> Office of Early Learning, *2019 Market Rate Report: State Summary*, available at <http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/Market%20Rate%20FY1920%20Report%20Full%20Time%20Statewide%20Summary-ADA-Final.pdf>.

<sup>39</sup> Office of Early Learning, *2019 Market Rate Report: State Summary*, available at <http://www.floridaearlylearning.com/Content/Uploads/floridaearlylearning.com/files/Market%20Rate%20FY1920%20Report%20Full%20Time%20Statewide%20Summary-ADA-Final.pdf>.

<sup>40</sup> Rule 6M-4.500, F.A.C.

<sup>41</sup> Section 1002.82(2)(k), F.S.

<sup>42</sup> Section 1002.82(2)(n), F.S., requires the DOE to adopt a program assessment for school readiness providers serving children from birth to 5 years. Rule 6M-4.740, F.A.C., outlines requirements for the program assessment and provider participation and incorporates Form OEL-SR-740, which is available at <https://www.flrules.org/Gateway/reference.asp?No=Ref-12828>.

however, beginning in the 2022-2023 school readiness contract year, a provider will not be able to deliver the school readiness program with less than a score of 4.00.<sup>43</sup>

- At a higher rate for participating in a state or local quality improvement plan, as documented by the early learning coalition and approved by the DOE.

### ***School Readiness Expenditures***

For the 2021 fiscal year, the Legislature appropriated \$932,877,228 for school readiness services. The CCDF accounted for \$450,759,466 to early learning coalitions for the provision of the school readiness program and.<sup>44</sup>

- The sum of \$23,277,090 in recurring funds and \$16,722,910 in nonrecurring funds to implement differential payments to school readiness providers who achieve quality performance as measured by the program assessment.
- The sum of \$30,000,000 to expand the provision of services to low income families at or below 200 percent of the federal poverty level as long as the income does not exceed 85 percent of the state median income. To be eligible for funding, an early learning coalition must match its portion of the state funds with a dollar-for-dollar match of local funds.
- The sum of \$72,000,000 in nonrecurring funds to expand school readiness services to families currently on a school readiness wait list.
- The sum of \$100,000,000 to the DOE to provide eligible early learning coalitions with school readiness provider rate increases to reduce variance and inequities in provider payment rates across the state.

In addition, the Legislature appropriated to the DOE \$2.47 billion in nonrecurring funds from the CCDF under the American Rescue Plan Act of 2021<sup>45</sup> for the 2020-2022 fiscal years.<sup>46</sup>

### ***School Readiness Estimating Conference***

The early learning programs estimating conference is required to develop estimates and forecasts of the unduplicated count of children eligible for the school readiness program as the conference determines are needed to support the state planning, budgeting, and appropriations processes.<sup>47</sup> The conference last met to estimate and forecast school readiness needs in November of 2004.<sup>48</sup>

### **Alternative School Readiness Funding Models**

In 2019, the Office of Early Learning,<sup>49</sup> in partnership with the DOE, was required to develop a funding allocation methodology for the equitable distribution, by county, of school readiness program funds.<sup>50</sup> The Office of Early Learning and the DOE submitted their recommended funding allocation methodology for the distribution of the school readiness program funds to the

<sup>43</sup> Rule 6M-4.741, F.A.C.

<sup>44</sup> Specific Appropriation 83, s. 2, ch. 2021-36, L.O.F.

<sup>45</sup> Pub. L. 117-2, 135 Stat. 31 (Mar. 11, 2021).

<sup>46</sup> Sections 43-44, ch. 2021-36, L.O.F.

<sup>47</sup> Section 213.136(8), F.S.

<sup>48</sup> Office of Economic and Demographic Research, *Consensus Estimating Conferences: Early Learning Programs Estimating Conference*, <http://edr.state.fl.us/content/conferences/> (last visited Jan. 21, 2022).

<sup>49</sup> The Office of Early Learning was restructured and renamed as the Division of Early Learning in HB 419 (2021). Chapter 2021-10, L.O.F.

<sup>50</sup> Specific Appropriations 80-84, s. 2, ch. 2019-115, L.O.F.

President of the Senate, the Speaker of the House of Representatives, and the Executive Office of the Governor on October 1, 2019.

The report included three funding methodologies for consideration:<sup>51</sup>

- The 2014 SR Funding Model Work Group. This model:
  - Used the average funding rate per full time equivalent (FTE) child for the past three years, with the most recent year weighted 50 percent, the second year weighted 30-percent, and the third weighted 20 percent.
  - Reflected variations in local economic conditions through the use of the District Cost Differential (DCD).<sup>52</sup>
  - Limited any decreases in funding to 5 percent per year.
- The Zone Model Methodology, which assumes a compression rate of no more than \$7 million new dollars per coalition and assigns counties into one of four zones based on the following factors:
  - Market Rate Survey.
  - Florida Price Level Index (FPLI).<sup>53</sup>
  - Population Data.
  - Child Care Level.
- The Conceptual Framework for SR Funding Methodology, which is a model similar to the Voluntary Prekindergarten Education Program funding model. The model considers the following factors in order to equitably distribute funding across the 30 coalitions and RCMA:
  - Statewide reimbursement rates by care level and provider type.
  - FTE by county
  - FPLI or DCD.
  - Local Quality Initiatives.
  - Non-direct services.
  - Administrative costs.
  - Quality Performance Incentives (Payment Differentials).

### III. Effect of Proposed Changes:

SB 1700 removes the limitations in state law on all state, federal, and local matching funds provided to an early learning coalition to fund its school readiness program. Removing these limitations may provide flexibility to increase spending on administrative, quality activities, and nondirect services to up to thirty percent of state, federal, and local matching funds.

The bill creates s. 1002.891, F.S., to require, before the distribution of any funds appropriated in the General Appropriations Act for the school readiness program, the Division of Early Learning

<sup>51</sup> The Florida Department of Education and Office of Early Learning, *School Readiness Funding Allocation Methodology: Report and Recommendations* (Oct. 1, 2019), available at <https://www.fldoe.org/core/fileparse.php/7749/urlt/OELFundingMethodology.pdf>.

<sup>52</sup> The District Cost Differential is calculated by averaging each school district's Florida Price Level Index for the most recent three years. The average is then multiplied by 0.008, and 0.200 is added to the product to obtain the final district cost differential. Section 1011.62(2), F.S.

<sup>53</sup> The FPLI represents the cost of hiring comparable personnel across school districts and is the result of a collaboration between Florida Polytechnic University and the University of Florida's Bureau of Economic and Business Research. Jim Dewey, Director of Economic Analysis, Florida Polytechnic University, *2020 Florida Price Level Index*, available at <https://www.fldoe.org/core/fileparse.php/7507/urlt/2020fpli.pdf>.

(DEL) within the Department of Education to conduct an allocation conference. The bill requires the conference principals to include representatives of the DEL, the Executive Office of the Governor, and the appropriations committees of the Senate and the House of Representatives.

The bill requires the conference principals to discuss and agree to all conventions and calculation methods, including the actual cost of child care, eligible population data, rounding conventions, and methods of computation, to be used to calculate the school readiness funding formula for the early learning coalitions for the fiscal year for which the appropriations are made. These conventions and calculation methods must remain in effect until further agreements are reached in subsequent allocation conferences called by the DEL for that purpose.

The bill requires the DEL, before each recalculation of the school readiness funding formula and allocations to the early learning coalitions, to also provide conference principals with all data necessary to replicate those allocations precisely. The data must include a matrix, arranged by early learning coalition, of all full-time equivalent changes made by the DEL as part of its administration of the school readiness program.

These provisions may update the equitable distribution of school readiness program funding throughout the state.

The bill takes effect July 1, 2022.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 1002.81, 1002.82, 1002.89.

This bill creates section 1002.891 of the Florida Statutes.

**IX. Additional Information:**

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.