

Attendance and Fiscal Reporting and Reimbursement Procedures for Child Development Contracts

FY 2019–20

California Department of Education
Child Development and Nutrition Fiscal Services
Fiscal and Administrative Services Division

2019

NOTICE:

The guidance in this California Department of Education Attendance and Fiscal Reporting and Reimbursement Procedures for Child Development Contracts is not binding. Except for the statutes, regulations, and court decisions that are referenced herein, the Child Development Attendance and Fiscal Reporting and Reimbursement Procedures is exemplary, and compliance with it is not mandatory. (See Education Code Section 33308.5)

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IMPORTANT CHANGES

The Attendance and Fiscal Reporting and Reimbursement Procedures for Child Development Contractors is a handbook that had been commonly referred to as the Greenbook. Beginning 2019–20, this handbook will no longer be referenced as the Greenbook and will now be referenced as the “CDNFS Fiscal Handbook.”

The Child Development and Nutrition Fiscal Services (CDNFS) recommends that your staff review all required procedures by reading all appropriate passages in this handbook; however, please note the following changes in this 2019–20 edition of the CDNFS Fiscal Handbook.

Page	Subject
32	Equipment Approval Requirements (updated Funding Terms and Conditions)
36	Staff Training Days (Service-Level Exemption)
53	Adjustment Factors - Special Criteria (updated part-day adjustment factors)
55	Adjustment Factors - Mental Health Consultation Services
84	Additional Funding- CCTR/CSPP Transfers (Non-LEA transfers)
102	Remittance Advice (updates to CPARIS web-based application information)

The 2019–20 CDNFS Fiscal Handbook is intended to provide reporting requirements and guidance specific to the contract year. Prior editions should not be referenced for the 2019–20 contract year.

INTRODUCTION

The purpose of this handbook is to aid child development contractors in their attendance and fiscal reporting and explain reimbursement procedures and the role of the Fiscal and Administrative Services Division and its Child Development and Nutrition Fiscal Services (CDNFS) unit. Detailed contract information is located in the “Funding Terms and Conditions” (FT&C), the *California Code of Regulations, Title 5*, and the *California Education Code*, which is included in every child development contract.

Most state contracts are standard reimbursement contracts: the contractors spend their own funds and submit a claim for reimbursement. Child development contracts are unique because reimbursement is provided to the contractor in monthly apportionment amounts, which are determined by CDNFS according to projected earnings calculated from the contractor’s Attendance and Fiscal Report data. This reimbursement structure ensures continuity of services to children; however, contractors should have sufficient operating capital in the event that state funds are delayed or withheld. Year-end earnings are determined by an audit of private contractors and by the year-end Attendance and Fiscal Report for local educational agencies (LEAs), and may be greater than or less than the amount already paid to contractors. The CDNFS Fiscal Handbook is formatted to clearly indicate different reporting requirements for Center-Based programs and Alternative Payment programs. At the bottom of each page, the program type covered on that page is indicated by “Center-Based Programs,” “Alternative Payment Programs,” or “All Program Types.” If you have any questions, please contact your assigned CDNFS fiscal analyst. An analyst directory may be found on the California Department of Education website at:

<http://www.cde.ca.gov/fg/aa/cd/faad.asp>.

CONTACTS

WHOM to CONTACT for WHAT?

EARLY LEARNING AND CARE DIVISION

916-322-6233

- Contract Applications
- Program Assistance
- Compliance Reviews
- Statistical Reports
- Appeals

CONTRACTS OFFICE

916-322-3050

- Contract Content
- Contract Status
- Signed Contracts
- Missing Contracts

CHILD DEVELOPMENT AND NUTRITION FISCAL SERVICES

Contact your Fiscal Analyst

- Contract Terms: MRA, MDO, cde, RATE
- Attendance and Fiscal Reports
- Reimbursement Calculations
- Reserve Account Status
- Payment Authorization
- Contract Billings
- Missing Checks
- Delinquent Accounts Receivable
- Technical Assistance

AUDITS AND INVESTIGATIONS DIVISION

916-322-2288

- Audit Requirements
- Audit Reviews
- Delinquent Audits

CHILD DEVELOPMENT AND NUTRITION FISCAL SERVICES

The Child Development and Nutrition Fiscal Services (CDNFS) unit of Fiscal and Administrative Services Division assigns fiscal analysts by county. An analyst directory is located on the California Department of Education (CDE) website at <http://www.cde.ca.gov/fg/aa/cd>. Please use this document to record the name and telephone number of the analyst for your agency:

COUNTY: _____

CDNFS ANALYST: _____

PHONE NO.: _____

MAILING ADDRESS

The CDNFS official mailing address is:

CHILD DEVELOPMENT AND NUTRITION FISCAL SERVICES

FISCAL AND ADMINISTRATIVE SERVICES DIVISION

CALIFORNIA DEPARTMENT OF EDUCATION

1430 N STREET, SUITE 2213

SACRAMENTO, CA 95814–5901

Please use this address for all correspondence. The division name is optional, but you should always specify “Child Development and Nutrition Fiscal Services” or “CDNFS” to avoid any confusion. Also, note that the “N” in “1430 N Street” is simply the letter “n”, it does not stand for “north.”

IMPORTANT DEADLINE REMINDER

Please do not send CDNFS correspondence, especially items with a deadline, such as Attendance and Fiscal Reports, to any other CDE address (such as to the Early Learning and Care Division, also located at 1430 N Street). Mail received by the wrong division or unit will delay processing. Reports received by another unit in CDE do not qualify as meeting the reporting requirements; reports must be received in CDNFS by the deadline or they will be considered delinquent and non-compliant.

REFERENCE MATERIALS

The statutes and regulations embodied in the California *Education Code*, the *California Code of Regulations, Title 5*, and the “Funding Terms and Conditions and Program Requirements for Child Development Programs” are part of each child development contract. Additionally, contractors may reference the *California School Accounting Manual* and the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs*. Online sources for these publications are identified below:

California *Education Code*:

<http://leginfo.legislature.ca.gov/faces/codes.xhtml>

The following publications are located at:

<http://www.cde.ca.gov/sp/cd/lr>

- *California Code of Regulations, Title 5*
- *California School Accounting Manual*
- *California Department of Education (CDE) Audit Guide*

Indirect Cost Rates for LEAs:

<http://www.cde.ca.gov/fg/ac/ic>

The following documents are available on the CDE Web site:

<http://www.cde.ca.gov/fg/aa/cd>

- This Child Development and Nutrition Fiscal Services (CDNFS) Fiscal Handbook, i.e. California Department of Education Attendance and Fiscal Reporting and Reimbursement Procedures for Child Development Contracts
- Funding Terms and Conditions for Child Development Programs
- Program Requirements for Child Development Support Contracts
- CDNFS Report Forms
- Letter of Intent to Establish a Reserve Account
- CDNFS Analyst Directory
- Year-End Reporting Reminders & Contract Changes Letter

CDE's website includes a page specifically for Alternative Payment and CalWORKs contractors. The following documents and informational links can be found on this website:

<https://www.cde.ca.gov/fg/aa/cd/alternativepmt.asp>

- A link to the online reporting system
- Application for Contingency Funds
- Regional Market Rate Ceilings by county
- PowerPoint presentations related to the Alternative Payment and CalWORKs programs.

CONTRACTS

CONTRACTOR'S RESPONSIBILITIES

A contractor assumes many responsibilities by contracting with California Department of Education (CDE) to provide a state-subsidized child development program services. The following basic responsibilities are fundamental for all CDE contractors in managing their contracts.

RETURNING CONTRACTS and AMENDMENTS

A contractor's first apportionment cannot be authorized until a signed contract is returned to the Contracts Office. In addition, any amendments to contracts after the original contract is signed and returned, also do not take effect until the amendment is signed and returned. Contractors should ***sign and return their contracts and amendments*** immediately.

FINDING ANSWERS in the FUNDING TERMS and CONDITIONS

The Funding Terms and Conditions (FT&C) are the requirements the contractor agreed to when they signed the contract. The FT&C include information on expenditures, enrollment criteria, staffing ratios, actions that require prior approval by Early Learning and Care Division (ELCD), audit procedures, appeal procedures, and so forth. Contractors should refer to the FT&C *before* contacting their ELCD consultant or Child Development and Nutrition Fiscal Services (CDNFS) analyst.

REPORTING

Report deadlines are clearly stated in the FT&C. Contractors are responsible for the timely submission of required reports that are properly identified (by contract number and agency contractual name, not a site name) and are complete and signed (or certified, in the case of Alternative Payment (AP) reports submitted online). Changes in agency staff or other challenges do not absolve the contractor from this responsibility. Reports not received are delinquent, and apportionments shall be withheld. Reports that are not clearly identified or are incomplete, illegible, or unsigned (or uncertified, for AP reports) are delinquent.

PROGRAM MANAGEMENT and FISCAL EXPERTISE

A successful program must have sound fiscal management. There is no requirement that an agency earn its entire Maximum Reimbursable Amount (MRA). What is important for fiscal solvency is that an agency does not spend more than it will collect as income. Contractors are responsible for knowing the details of their contract's FT&C and pertinent sections of the *Education Code* and *California Code of Regulations, Title 5*. While CDNFS staff provides technical assistance, contractors are ultimately responsible for monitoring their enrollment and expenditure levels; knowing what steps need to be taken to ensure program compliance; and having the business expertise to manage the program's finances and avoid deficit spending. To quote an Administrative Law Judge's ruling denying a contractor's appeal:

"If a program operator does not know, or have the competence to know, that it will not meet its program goals, who should? The Department should be able to rely on a reasonable level of fiscal competence."

PAYING BILLS and OPERATING FUNDS

The CDE recommends contractors have three months of operating capital (through cash, a line of credit, etc.) to operate their program during the contract period prior to receiving their first apportionments or in the event apportionments are withheld, delayed, or lost in the mail. Contractors are responsible for paying their bills regardless of any interruption in the flow of state funds.

SUBCONTRACTS

A contractor may subcontract all or part of a child development contract to another agency (see FT&C for requirements). However, the contractor is still responsible for all programmatic and fiscal requirements of the program as defined in the FT&C, including verifying excused absences, collecting family fees, and submitting required reports.

AUDIT

Contractors who are required to submit an audit to CDE's Audits & Investigations (A&I) Division must have their audit prepared by a recognized, independent auditor. However, the contractor is responsible for the content of the audit submitted to A&I, so contractors should review their audit for any possible errors or omissions prior to its submission. Errors in audits submitted to the CDE may result in billings to the contractor. Appeal rights are not granted for every billing. Therefore, contractors must be diligent in the review of their audit prior to submitting to CDE (see "Appeals").

NOTE: *Education Code* Section 8448(g) requires contractors that received under \$25K for any direct service contracts (i.e. for all contracts except support/quality contracts regardless of whether the funds are considered start-up) to submit a biennial audit of the entire organization. For example, a contractor receiving \$20K in fiscal year 2019–20 would be required to submit an audit, including all required supplemental schedules, covering the two-year period from 2018 to 2020. The audit's due date would be based on the contractor's 2020 fiscal year end. Any contractor who receives over \$25K for a direct service contract is required to submit an annual audit. For more information on this requirement, consult the Audit Guide and FT&Cs for the contract.

FEDERAL FUNDS - REPORTING and FEDERAL CATALOG NUMBER

Some CDE child development contracts are funded in part or in whole with federal funds from the federal Child Care and Development Fund. If federal funding is included in the contract, a federal catalog number (the Catalog of Federal Domestic Assistance), identified as an "FC" number, will be included in the funding information block of the contract. If a contract has more than one funding source, there will be an attached encumbrance page with multiple funding blocks. The funding block will also identify different state Project Cost Account (PCA) numbers associated with the state funds and the federal funds. A PCA number that begins with "1" is designated as federal funds and a PCA beginning with "2" is designated as state funds. Contractors who are required to report the amount of federal funding they receive (for example, to their auditor, the Internal Revenue Service, other federal or state agencies including other divisions within CDE) will need to pay particular attention to the PCA numbers that identify federal funds. Contractors may also be required to report enrollment and attendance data associated with federal funds to ELCD for statistical purposes.

REVIEW CORRESPONDENCE

Agency staff should review correspondence from CDNFS, including earnings calculation worksheets, Apportionment Adjustment Letters, Apportionment Withhold Notices, Preliminary Billing Advices, and Reserve Fund Status Letters. This correspondence may contain vital information regarding issues that need to be addressed; some issues may be calculation errors that are easily corrected, but other issues may be more serious fiscal or programmatic concerns. Preliminary Review Letters will indicate contract earnings and should be carefully reviewed alongside the attached calculation worksheet. There may be instances where the letter indicates the contract is being fully earned, but the calculation worksheet indicates over-spending (see “Apportionment Notifications,” “Proration of Costs,” and “Closure Notifications”).

ELECTRONIC COMMUNICATION

All Executive Directors and Program Directors are required to subscribe to the ELCD’s email announcement system that notifies contractors of critical documents and new instructions or requirements (see Management Bulletin 08-06). CDNFS also utilizes this communication system to notify contractors of critical contract related information. To ensure that all electronic communication is received, each contractor is responsible for assuring that ELCD has accurate e-mail addresses on file.

APPEALS

After a contract is closed due to the CDE receiving the year-end or audited attendance and fiscal report, the result for the contractor will be a billing, a payment, or no fiscal transaction with the State because the contractor received proper reimbursement for the prior year. If a contractor is billed, they may be given appeal rights if the billing is more than \$25,000 or four percent of the contract’s MRA. The appeal procedure allows the contractor to contest the amount of the billing in a formal hearing before an appellate judge, or in some cases, to reach a settlement with the CDE. Proper notification must be made to the CDE appeal coordinator by the appeal deadline when a contractor chooses to appeal a billing. When considering whether to appeal versus pay a billing, the contractor should consider the costs associated with an appeal, both for legal fees and CDE staff time. Additionally, an adjustment to a year-end report may increase rather than decrease the billing.

Billings resulting from CDE calculation errors, if appealed, will be corrected and the contractor will not incur any appeal costs. Billings resulting from errors or omissions by the contractor or the contractor’s auditor may also be appealed and may result in a correction to the billing amount, and costs related to the appeal will be charged to the contractor. Contractors who lose an appeal will owe the original billing and appeal costs. Minimum costs for an appeal are approximately \$500, but may be much greater if the appeal goes to a hearing. Contractors should carefully weigh the costs of an appeal versus the potential change to the billing amount.

To avoid appeal costs, contractors should review any “Preliminary Billing Advice” received from CDNFS and review their audit prior to submission, as most errors can be corrected prior to contract closure. The formal appeal process is the only recourse provided a contractor for correcting an error after a contract is closed.

CONTRACT INFORMATION

Child development contracts are not grants. A contract is a legally binding agreement between two parties. In the case of most child development contracts, the agreement is between a child care contractor and the California Department of Education (CDE) in which the contractor agrees to provide child development services according to defined programmatic and fiscal requirements. The CDE, in turn, agrees to reimburse the contractor for those services within defined limits. Contracts are typically for one state fiscal year (FY)—July 1 through June 30—and *“Contractors have no vested right to a subsequent contract”* (California Code of Regulations, Title 5, Section 18010(a)).

CONTRACT TERMS and CONTRACT REVIEW

Initial contract terms are negotiated by Child Development and Nutrition Fiscal Services (CDNFS) based on the contractor’s original application for funding. Contractors who apply for continued funding in subsequent years are usually granted a contract with similar terms. Contract terms in subsequent years are dependent on requests by contractors for a contract amendment, changes made in the Budget Act, or Contract Review.

Contract Review is an annual process performed by CDNFS to identify programs that have been unable to utilize their full contract amount for various reasons, including low enrollment, low expenditures, or changes in the needs of the community. This may result in a reduction to a contract in subsequent years, which allows the unused funding to be redirected to other areas where a greater need exists. Contract reductions are based on a pattern of earnings over multiple fiscal years, so one year of low earnings will not necessarily result in a reduction to a contract in the following year. Any proposed reductions via the contract review process will be discussed with the contractor first. Contractors are provided an opportunity to submit a justification to maintain their current level of funding prior to the final determination by CDE management. Contract review and resulting reductions are not punitive; it is a process to align funding amongst contractors to accurately reflect a contractor’s need for funding.

CONTRACT EXECUTION

The CDE’s Contracts Office began distributing all contracts via e-mail in FY 2014–15. Contracts are sent to the e-mail addresses for both the Executive Director and Program Director(s) on file in the Child Development Management Information System. Contractors are required to print two copies of the contract, sign both copies, and return both copies to the Contracts Office. Once the contract is executed by the Contracts Office, it becomes eligible for payment. No apportionments can be made until a contract is deemed executed by the Contracts Office. The contractor will receive a copy of the fully executed contract.

Contractors should sign and return contracts and contract amendments to the Contracts Office as soon as possible.

(See “Amendments”).

CONTRACT CLASSIFICATION

Child development contracts are classified according to *Education Code* Section 8406.6 as “Clear,” “Provisional,” or “Conditional.”

Clear applies to contracts that have no known compliance problems.

Provisional applies to new programs that are being monitored for “*fiscal and programmatic compliance before granting clear contract status*” and are issued with the provision of monthly reporting. Provisional status is contract-specific and applies to new contractors or contractors with a new program type, applies for a minimum of one full fiscal year, and is “*reviewed annually.*”

Conditional applies to “*high-risk contracted agencies that evidence fiscal and/or programmatic noncompliance.*” Conditional status is issued with conditions that must be met prior to returning to “Clear” status. These conditions include monthly reporting to assist the CDE monitoring of the contractor’s compliance. Conditional status is agency-wide, applies to all child development contracts, continues for the length of time determined by the CDE, and prohibits the contractor from being “*eligible to apply for additional State Child Development program funds.*”

AMENDMENTS

After a contract is issued, contract terms can only be changed through the contract amendment process. When a contract is amended, the contractor will receive, via e-mail, an amended contract face sheet with other necessary documents from the California Department of Education's (CDE) Contracts Office. The effective date of the contract amendment is on the contract face sheet, but the contract amendment cannot be executed until two copies of the amended contract face sheet are returned to the Contracts Office, along with any other necessary documents requested by the Contracts Office (see "Contracts"). Contract changes may be requested by the contractor or CDE. Until a contract amendment is deemed fully executed, the current terms of the contract remain in effect except for Maximum Reimbursable Amount (MRA) reductions, which take effect immediately.

MAXIMUM REIMBURSABLE AMOUNT - INCREASES and DECREASES

A contract MRA may be increased or decreased for various reasons: cost-of-living adjustment, expansion funding, rate increase, California Work Opportunity and Responsibility to Kids (CalWORKs) contract reduction, CalWORKs augmentation, and so forth (see "CalWORKs MRA Adjustments"). An MRA change may also result in a corresponding change in service (minimum child days of enrollment (cde)) requirements.

RATE - INCREASES

Education Code allows increases in contract rates in order to maintain service levels for those agencies currently at a rate less than the standard reimbursement rate. To obtain a rate increase, agencies must document the need for an increase based on specific criteria. This rate increase process applies to center-based contracts with an assigned reimbursement rate that is less than the Standard Reimbursement Rate. The rate increase process occurs annually and notices are sent to all contractors regarding the application process, usually in November. The deadline for application for a rate increase is December 31st of the current fiscal year.

MINIMUM DAYS OF OPERATION CHANGES

The Minimum Days of Operation (MDO) is determined by the service calendar submitted by the contractor with the initial contract application or the annual application for continued funding, obligating the program to that many days of service to subsidized families. A contract MDO cannot be less than the minimum required for the program type unless approved by the Early Learning and Care Division (ELCD). The fiscal penalty for operating less than the MDO is a reduction in the contract's operational MRA. There is a two (2) percent "flex" factor allowed for a contractor's MDO when calculating year-end earnings; however, contractors must submit a request for all calendar changes to the ELCD prior to June 30th in order for the request to be considered and a contract amendment to be processed if approved (see "Flex Factors" and "Days of Operation").

CONTRACT NUMBERS

Child development contract numbers identify the program type and the fiscal year. Contracts are not annually renewed; instead, agencies apply for continued funding and a new contract is issued each fiscal year with a different contract number. Contract numbers are identified on the face sheet of each contract and are a series of eight alpha/numeric characters. The first four characters designate the program type. The second four characters are all numeric, and the first number designates the fiscal year (the last digit of the first half of the fiscal year; e.g., Fiscal Year (FY) 2019–20 would be a “9”), and the last three numbers are the contract sequence number within that program type.

EXAMPLE: Contract number CSPP9123
C = California Department of Education
SPP = State Preschool Program
9 = FY 2019–20
123 = 123rd State Preschool Program contract issued

Following are the current California Department of Education (CDE) child development programs contract designations for service contracts by program type:

Center-Based Contracts

CCTR	General Child Care
CHAN	Severely Handicapped
CMIG	Migrant
CMSS	Migrant Special Services
CRRP	Resource and Referral
CSPP	California State Preschool Program

Alternative Payment Contracts

CAPP	Alternative Payment
CFCC	Family Child Care Homes
CMAP	Migrant Alternative Payment
C2AP	CalWORKs (Stage 2)
C3AP	CalWORKs (Stage 3)

SUPPORT CONTRACTS

Support contracts supplement child development program contracts or otherwise support the child development community. Some support contracts require an application to the Early Learning and Care Division (ELCD), while other support contracts will be offered by ELCD directly to eligible contractors. As with service contracts, funding for support contracts can vary each year and is dependent on the state Budget Act. Support contracts reflect the same contract period (July-June) as service contracts. Current support contract types are:

CCIP	Child Care Initiative
CHST	Health and Safety
CLPC	Local Planning Council
CPKS	Prekindergarten & Family Literacy Support
CRET	Salary/Retention Incentive

CHILD CARE INITIATIVE PROJECT CONTRACTS

Child Care Initiative Project (CCIP) contracts have a match requirement as described in *Education Code (EC)* Section 8215(d). The match requirement will be included in the Maximum Reimbursable Amount and indicated in the language on the contract face sheet. Contractors are required to report funds used toward the match requirement in Section I – Revenue. Corresponding expenses must be included in Section II – Reimbursable Expenses under the appropriate line item.

CCIP contracts that are not fully expended by year-end will have an “order” of reimbursement when calculating year-end earnings. The calculation reflects the requirement for contractors to match every dollar of state funding with two dollars from their local resources. This means contractors must meet their match requirement before receiving the full amount of state funds in their contract. Contractors may be billed for any unearned state funds they were advanced.

A report form was created specifically for CCIP contracts to allow matching funds to be reported as unrestricted income, if so designated by the contributor. Restricted and unrestricted income should be differentiated depending upon how the income was designated by the contributor, and should be reported on the “Match Requirement” line of the CDNFS 9529 CCIP form. In addition, any revenue received above the match requirement should also be reported dependent upon how it was designated by the contributor. Contractors are required to use CDNFS 9529 CCIP for reporting. Reports not submitted on the correct form are considered delinquent and could result in a withholding of apportionments.

BASIC RULE

An important *fiscal* principle for contractors to remember is the following:

BASIC RULE FOR CDE CHILD DEVELOPMENT CONTRACTS



State contract funds
must be spent on
reimbursable costs
for
eligible children.

- Contractors should become familiar with their contract Funding Terms and Conditions to know what expenses are reimbursable and which reimbursable costs have limits.
- California Department of Education (CDE) contracts subsidize only certified children. If a program includes non-certified children, the CDE will prorate the total program costs to determine the appropriate amount to be allocated to the state-subsidized portion.
- Contractors should monitor their enrollment and expenses to ensure that expenses do not exceed income.

REPORTING FOR ALL PROGRAMS

REPORTING DEADLINES

All contractors must submit reports “at intervals specified in the annual child development contract” (*California Code of Regulations (CCR), Title 5, Section 18068(a)*). Monthly reporting is required for “Contractors on conditional or provisional status” (*CCR, Title 5, Section 18068(c)*), CalWORKs, and Seasonal Migrant programs. All other contractors shall submit reports quarterly for the periods ending September 30, December 31, March 31, and June 30; reports are due by the 20th of the month following the end of the reporting period. Reports not received in Child Development and Nutrition Fiscal Services by the dates specified shall be deemed delinquent and “*apportionment(s) shall be withheld*” (Funding Terms & Conditions).

(See “Apportionment Notifications”).

Reporting periods are listed below:

Report Month	Due Date	Required Contract Reports
July	August 20 th	Conditional, Provisional, CalWORKs
August	September 20 th	Conditional, Provisional, CalWORKs
September	October 20 th	ALL CONTRACTS
October	November 20 th	Conditional, Provisional, CalWORKs
November	December 20 th	Conditional, Provisional, CalWORKs
December	January 20 th	ALL CONTRACTS
January	February 20 th	Conditional, Provisional, CalWORKs
February	March 20 th	Conditional, Provisional, CalWORKs
March	April 20 th	ALL CONTRACTS
April	May 20 th	Conditional, Provisional, CalWORKs
May	June 20 th	Conditional, Provisional, CalWORKs
June	July 20 th	ALL CONTRACTS & Reserve Account Activity Report with General Ledger

DEADLINE NOTES:

- Postmark dates *do not* qualify as receipt dates.
- If the 20th of the month falls on a weekend or state holiday, the due date will be the next state working day.
- Contractors required to report quarterly may submit additional reports for intermediate months; the above due dates are the minimum required.

DAYS of OPERATION

Contractors are required to submit a service calendar for all service-based contracts, indicating the number of days the contractor expects to be open for the fiscal year. The total number of days indicated on the service calendar becomes the basis for the Minimum Days of Operation (MDO) contract term. What constitutes a “Day of Operation” varies between center-based programs and Alternative Payment (AP) programs and is defined below.

DAYS OF OPERATION FOR CENTER-BASED PROGRAMS

A “Day of Operation” for center-based programs is a day the contractor provides child care and development services for one or more *certified* children enrolled. The service calendar submitted by the contractor is the basis for the MDO contract term, obligating the contractor to provide subsidized services for that number of days. If the agency is open for business but no service is provided to subsidized families that particular day, then the program has not had a day of operation. Total “Days of Operation” reported is a count of those calendar days when state-subsidized children receive services (see “Non-Operating Days”).

NOTE: A program with multiple sites that serves a subsidized child at one site has fulfilled the day of operation requirement even though the other site(s) may be closed.

DAYS OF OPERATION FOR ALTERNATIVE PAYMENT PROGRAMS

A “Day of Operation” for an AP program is a day in which the contractor’s administrative office is open for business. This should not be confused with the definition of days of operation for center-based programs, which is a day in which at least one certified child is provided services. The service calendar submitted by the contractor is the basis for the MDO contract term, obligating the contractor’s administrative office to be open for business.

IMPACT ON EARNINGS

If a contractor wishes to revise their calendar, they are required to submit a request for a calendar revision to the Early Learning and Care Division (ELCD) no later than June 30th (or the end of the contract period). This revision request is required regardless of whether the contractor operates more or fewer days than the MDO stated in their contract. If the MDO of the contract is over- or under-stated, the calculated projected earnings from the monthly Child Development and Nutrition Fiscal Services (CDNFS) Attendance and Fiscal Report could be affected.

Example: A contractor has provided a calendar with an MDO of 245 days and is expected to report 58 days of operation on their first report. However, the contractor has reported 64 days of operation for that period. The projection factor that will be calculated based on their reported calendar of 64 days (3.828) will be lower than the projection factor that would have calculated based on their provided calendar of 58 days of operation (4.224). This will result in a lower calculated reimbursement. An incorrect MDO has a direct impact on the amount of funds a contract will receive monthly.

At year end, if the actual days of operation are greater than or equal to 98% of the MDO, the Maximum Reimbursable Amount (MRA) will not be affected. If actual days of operation are less than 98% of the MDO, the MRA will be reduced in proportion to the percentage of contract minimum days of operation that the contractor was not in operation. This could result in a billing if the contractor has been paid more than the reduced MRA. To avoid a billing for this reason, contractors must contact their consultant to request an MDO revision as soon as they are aware that they will not operate their MDO.

NON-OPERATING DAYS

A non-operating day for center-based programs is any day that the contractor does not provide services to at least one subsidized child, regardless of whether the contractor was open for business and may have provided services for non-certified children. Similarly, a non-operating day for AP programs is any day that the contractor's administrative office is not open for business. Failure to operate the contracted MDO may result in a reduction of the contract MRA. However, there are two situations when a non-operating calendar day *may* have no adverse effect on the MRA or service earnings: emergency closure circumstances and a budget impasse credit.

EMERGENCY CLOSURE

An emergency closure waiver may be requested for days the contractor intended to operate but was unable to do so because of circumstances beyond the contractor's control, *"including earthquakes, floods, or fire"* (Education Code (EC) Section 8271), or because of a state of emergency *"declared by the Governor"* (EC Section 8209). In those instances, contractors may count the non-operating day as a day of operation upon written approval from the ELCD. Contractors must submit a written request for an emergency closure waiver, providing the circumstances for the closure to the ELCD. If approved, the ELCD will instruct the contractor to report the day of operation and the attendance for that day as though it had occurred. Contractors should not assume that every request will be approved and should wait until receiving written approval before adding the day(s) and attendance data to the CDNFS report form (see "Revised Reports").

NOTE: Until written approval from ELCD is received, contractors should *only* report the days of enrollment.

BUDGET IMPASSE CREDIT

Management Bulletin 10-09 notified contractors that a State of California budget impasse is considered a circumstance beyond the control of the contractor. Contractors who are unable to operate due to a budget impasse that must reduce staff through layoffs or unpaid furloughs may request emergency closure reimbursement for ongoing administrative and operational expenses that occurred during the closure. To request reimbursement, the contractor's governing board, or the executive office for contractors who do not have a governing board, must adopt a resolution that describes the nature of the emergency; the specific effect on program operation; the dates program operation was suspended; and a detailed list of actual program expenses incurred during the period of closure. Contractors must submit the request to ELCD who will jointly review the information with CDNFS. Approved requests require a contract amendment that must be signed and returned before the contractor can report their reimbursable amount, or "Budget Impasse Credit."

NOTE: Expenses incurred during the period of closure due to the budget impasse must be identified (claimed) on the “Budget Impasse Credit” line in the expense section of the CDNFS report forms instead of the category line where they would normally be listed; do not report them in *both* places.

STAFF TRAINING DAYS FOR CENTER-BASED PROGRAMS

Staff training days benefit the program but, because children are not receiving services, those days cannot be reported as days of operation and should not be included on the service calendar submitted. However, if the contractor hires substitute staff and provides subsidized services, then it is a day of operation. If service calendar days are used as staff training days (without providing services), there may be an adverse effect on contract reimbursement, either by reducing the MRA because of failure to meet the contract MDO or by insufficient service earnings:

Effect on MRA: Service calendar days used as staff training days may affect the contract MRA because the contractor is operating less than 100 percent of the MDO. Contractors who fail to operate at least 98 percent of the contract MDO will have the contract MRA *“reduced in proportion to the percentage of the contract minimum days of operation that the contractor was not in operation”* (California Code of Regulations, Title 5, Section 18055). This practice allows a two percent “flex for minimum days of operation” (two percent of a 250-day calendar is five days; two percent of 175 days is three days), and this allowance is usually sufficient to account for a few non-operating days, some of which may be used for staff training (see “Flex Factors”).

Effect on Service Earnings: Staff training days with no services provided may mean the contractor will not have a sufficient amount of total certified enrollment to generate enough service-level earnings to cover certified program costs or to earn the contract MRA (see “Center-Based Programs: Limits of Reimbursement”). Contact your ELCD consultant if you would like to request a change in days of operation, including a change from providing services on one calendar day to another.

Beginning in FY 2019–20, Assembly Bill 2626 allows the California Department of Education to reimburse expenses associated with staff training without requiring contractors to meet the service requirement for their contract. See “Staff Training Days (Service-Level Exemption) for more information.

ACCRUAL versus CASH ACCOUNTING

The Child Development and Nutrition Fiscal Services unit uses the Attendance and Fiscal Reports to project a contractor's fiscal year-end earnings and adjusts monthly apportionment amounts according to that projection. The *California Code of Regulations, Title 5, Section 18063*, requires that "*Contractors shall report expenditures on an accrual basis.*" Thus, cash basis accounting and reporting is unacceptable. Reports using the accrual basis, which describe costs as they occur rather than when they are actually paid, provide a more reliable base for projections, are less likely to underestimate final program costs for the contract year, and, therefore, are less likely to result in an apportionment reduction.

EXAMPLE: A contractor's annual insurance premium is due in June. A monthly proration of that premium should be reported from the beginning of the fiscal year so that projection calculations anticipate the total expenditure. If, instead, the contractor incorrectly uses the cash basis and reports the entire expense on the June year-end report after the premium is actually paid, the projections could indicate a low expenditure level, resulting in lower apportionment amounts during the year and possibly a delay of reimbursement for the expense until after the audit has been reviewed.

Accrued income should be posted as an Accounts Receivable. Accrued costs or encumbrances become reimbursable costs when the services or goods have been **received** by the program.

EXAMPLES:

- Staff are paid every other Friday, but December 31 falls on a Tuesday, so staff actually receive their paychecks on Friday, January 3. Personnel costs through the end of December should be reported for the December period when the services were performed rather than in the later period (January of the following calendar year) when checks were issued.
- A purchase order for supplies is sent to a vendor, and the total price is encumbered in the contractor's books. This encumbrance becomes a liability, and therefore a reimbursable cost, *for the period when the order is actually received*. To be reimbursable under a California Department of Education contract, the goods must be received by the contractor by the end of the contract period (June 30). For bookkeeping and audit purposes, an Accounts Payable should be posted to the fiscal year when the goods were received even if the check is dated after June 30.

NOTE: Some families eligible for subsidized child care may be required to pay a portion of the cost of care (see "Family Fees"). Contractors are required to adopt a policy for the collection of fees in advance of providing services (*California Code of Regulations (CCR), Title 5, Section 18114(a)*). The School Accounting Manual specifies that under an accrual basis of accounting, revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of when the receipt or payment of cash takes place. *CCR, Title 5 Section 18039* states that fees received from subsidized parents are to be expended and earned by the contractor before contract funds. Therefore, family fees should be recorded based on the amount of fees the contractor expects to collect in any given report month, regardless of when it was actually received. Additionally, received income should be posted to the contract period to which it relates (e.g., Family Fees for June that are received in July of the next fiscal year should be posted to the previous fiscal year).

During the year, estimated or accrued costs and revenue should be adjusted on subsequent reports in the Cumulative Prior Period column to reflect actual costs and income data, but at the end of the year (following the June year-end report), submission of a revised report may be necessary.

REVENUE

The Child Development and Nutrition Fiscal Services (CDNFS) fiscal report forms include sections for Revenue. How revenue is reported will be dependent on the source of the income and how it is expended. Revenue should *only* be reported when its corresponding expenses are also reported.

RESTRICTED REVENUE

Restricted revenue is income that may only be expended for certified children or is provided for specific, limited purposes (*California Code of Regulations (CCR), Title 5, Section 18013(t)*). Restricted income can be used to provide additional hours or days of services, or to increase the number of children that the program is able to serve.

Examples of Restricted Income:

- 1) Child Nutrition Program revenue received for child development programs must be reported as restricted income on CDNFS report forms. This includes revenue from the following programs:
 - Child and Adult Care Food Program
 - National School Lunch Program
 - School Breakfast Program
 - Special Milk Program
 - Seamless Summer Feeding Option
 - Summer Food Service Program
- 2) County maintenance of effort
- 3) Transfers from Child Development Reserve Accounts
- 4) Family fees for certified children
- 5) Interest earned on apportionment payments
- 6) Fundraising income

UNRESTRICTED REVENUE

Unrestricted revenue is income that may be expended for certified or non-certified children, that is not provided for specific, limited purposes. Unrestricted income can be used to provide additional hours or days of services or to increase the number of children that the program is able to serve.

Examples of Unrestricted Income:

- 1) Family fees for non-certified children
- 2) Head Start revenue
- 3) Fundraising income

NOTE:

- Restricted and Unrestricted income used for reimbursable expenses is reported in the “Revenue” section of the CDNFS Attendance and Fiscal report.
- Any income (either restricted or unrestricted) that is expended on non-reimbursable costs should be reported on the second fiscal page.

SUPPLEMENTAL REVENUE

Supplemental Revenue is income that is considered “Enhancement” funding for the purposes of reporting child development revenue. This funding can include both restricted and unrestricted income. Supplemental income can be used to pay for projects or benefits that are not otherwise funded by the child development contract for certified and non-certified children.

Examples of Supplemental Income:

- 1) Head Start (when funds are not used services to certified children)
- 2) First 5
- 3) Quality Rating and Improvement System
- 4) Donations
- 5) Fundraising Income

Supplemental income used for non-reimbursable expenses is reported on the second fiscal page of the CDNFS Attendance and Fiscal report.

QUALITY RATING and IMPROVEMENT SYSTEM

Quality Counts California Quality Rating and Improvement System (QRIS) is a local level block grant with a focus on improving program quality. It was created to meet the needs of early learners and ensure access to high quality programs for California’s children. The primary purposes of the funding are for training, professional development days, stipends, and bonuses.

The income and expenses associated with the use of these funds needs to be reported on the Attendance and Fiscal Report for California Preschool Programs (CDNFS 8501). In most cases, these grant funds should be reported as supplemental revenue and expenses.

For additional information, refer to the CSPP QRIS Block Grant Frequently Asked Questions (FAQ) on the California Department of Education (CDE) website at:

<http://www.cde.ca.gov/sp/cd/op/csppqrisbgfaq.asp>

IN-KIND DONATIONS

Donated or volunteer services, and donated goods, property, or use of space, may be furnished to a child care contractor. For example, the site where a center is located may include janitorial services, a library may donate books, or a church may allow a contractor to use church property without paying rent. The value of these goods or services is not reimbursable with contract funds either as a direct or indirect cost, but such donations or contributions must be reported on the Attendance and Fiscal Report and in the contractor's audit.

The value of such donations or contributions must be quantified to a dollar amount, and reported both as restricted income and also as a corresponding program expense. If the child development contract has a match requirement, the value of donated goods or services may be used to meet cost sharing or the match requirement in accordance with the Federal Common Rule. In all cases, the determination of value will be guided by Code of Federal Regulations, Title 2, PART 200, Subpart D paragraph 200.306 and 200.434 and Statement of Financial Accounting Standards (SFAS) as amended Number 157 Fair Value Measurements.

REVENUE REPORTING GUIDELINES

- Do not report Contract Payments (*CCR, Title 5, Section 18068(a)(4)*). Contract payments are not considered program income, but are reimbursements that have been sent as advance apportionments. To include these contract reimbursements as income will result in an incorrect, low earnings calculation.
- Round Dollars. Please round all revenue and expenses to the nearest whole dollar.
- Never Use Negatives. All data on the report form is cumulative, negative numbers should never be used (see "Revised Reports").

FAMILY FEES

Child development contracts provide funding for services to low-income families who could otherwise not afford child care services. Eligible families, however, may be required to pay a portion of the costs for care and contractors are required to collect fees from those families. Family Fees are in lieu of contract payments; that is, the fees that subsidized families provide reduce the amount of contract funds that the California Department of Education (CDE) needs to provide. *“Fees received from subsidized parents are to be expended and earned by the contractor before contract funds shall be claimed for reimbursement” (California Code of Regulations (CCR), Title 5, Section 18039).*

The Early Learning and Care Division provides the income eligibility that determines the Family Fees that a contractor is required to collect from families. The family fee schedule is located at:

<https://www.cde.ca.gov/sp/cd/ci/documents/familyfeeschedulejul2019.xlsx>

The 2019–20 Family Fee Calculator is another tool that can be used when assessing family fees during certification and recertification. The Family Fee Calculator is based on the current State Medium Income thresholds and can be found at:

<https://www2.cde.ca.gov/familyfee/famfeecalculator.aspx>

Because family fees are to be spent before contract funds, the earnings calculation subtracts Family Fees from reimbursable earnings. This may result in advanced contract funds being returned to the CDE.

EXAMPLE: The CDE contracts with an agency to provide \$30 for subsidized services to a child, and the contractor spends \$30 on the child. However, the parent of the child pays \$4 in Family Fees, so the state need only provide \$26 in contract reimbursement. The contractor would have to return \$4 to the CDE if the \$30 had already been advanced.

However, contractors may also be reimbursed the full contract amount if they provide additional services beyond the minimum required by the contract. If the earnings calculation indicates enrollment and expenses that support additional services for certified children, the amount of certified Family Fees may have a partial or no effect on contract earnings (see “Over-Enrollment”).

PENALTIES for NONCOLLECTION or NONPAYMENT of FAMILY FEES

Contractors shall adopt a policy for the collection of fees in advance of providing services (CCR, Title 5 Section 18114). Families who are delinquent in paying the required fees shall receive a Notice of Action (as noted in the CCR, Title 5, Section 18114, and as stated in the Funding Terms and Conditions). Families who do not pay delinquent fees shall have child care services terminated. Contractors shall provide families at the time of enrollment a written policy regarding fee requirements and the consequences of nonpayment.

FEES or INCOME for NON-CERTIFIED CHILDREN

Fees for non-certified children must be reported on the “Fees for Non-certified Children” line of the Child Development and Nutrition Fiscal Services (CDNFS) report forms. Income for services to non-certified children from sources other than parents should be reported as “Other” unrestricted income (please specify the source of the income and its purpose). Fees and other income for non-certified children do not affect the calculation of service earnings for certified children; however, the *lack* of sufficient income for non-certified children may affect the calculation of contract reimbursement (see “Proration of Costs”).

When determining the rate to collect from non-certified families, contractors must take their ability to collect funds from other sources into consideration, as earnings and payment calculations performed by CDNFS will not allow State funds to be utilized for non-certified families. Contractors should keep in mind that the greater the difference between their contract rate and the non-certified fee, the greater the deficit. In addition, the ratio of certified to non-certified children must be considered; the greater the percentage of non-certified children, the greater the potential deficit, if the contract rate is greater than the non-certified fee. It must be understood that if contractors choose to collect a fee from non-certified children that is less than their contracted rate, and if there is no outside fund source to cover the cost of non-certified children, the deficit caused by a lesser fee will in turn result in an encroachment on the contractor’s general fund and/or reserve funds, or will result in the need for the contractor to obtain funding from a source other than the Child Development contract.

INTEREST

Contractors are required to report all revenue related to their program, including interest income (*California Code of Regulations (CCR), Title 5, Section 18068*).

INTEREST EARNED ON CONTRACT FUNDS

Each contractor receiving funds for child development programs must establish a Child Development Fund in accordance with *CCR, Title 5, Section 18064*, and *Education Code Section 8328*. If a contractor places advanced contract funds in an account that bears interest, those funds shall be placed in a separate account within the Child Development Fund. If advanced contract funds to a Local Educational Agency contractor are deposited in the county treasury, any interest generated by those funds must also be separately identified and reported. All interest earned on advanced California Department of Education (CDE) contract funds shall be reported on the designated line on the Attendance and Fiscal Reports submitted to Child Development and Nutrition Fiscal Services (CDNFS).

Since contract payments are actually an advance of state reimbursement, any interest earned on those funds is the property of the state and must be returned. However, CDE will not bill a contractor for interest earned, *if* the interest has been spent on reimbursable costs and earned by providing sufficient additional services for certified children beyond the minimum specified in the contract (*CCR, Title 5, Section 18064*). Resource and Referral Programs that do not have a minimum service requirement may spend interest on additional reimbursable costs. Fiscal year-end contract earnings calculations subtract interest from reimbursable earnings similar to Family Fees. For reimbursement purposes, all interest earned on advanced contract payments shall be computed as “last-in/last-out” (*CCR, Title 5, Section 18057*). “Last-in/last-out” means that these funds will be identified as the last funds received as income and will be the last to be spent for program costs. Since these funds are the last to be expended, they are the first to be returned to the state, if a billing is necessary (this will be reflected on the CDE invoice for over-advanced contract funds as “interest” being billed).

NOTE: Advanced contract payments are not required to be in an interest-bearing account. However, earned but unexpended contract funds retained in a Reserve Account are required to be in an interest-bearing account (see “Reserve Account Basics”).

INTEREST EARNED ON NONCONTRACT FUNDS

Interest earned on funds from other sources should **not** be reported on the lines specified for interest earned on contract payments but should be reported under Unrestricted Income on the “Other” line. Other interest may include interest earned on non-certified fees, donations, and so forth. Other interest has no effect on the contract earnings reimbursement calculations.

EXPENSES

The Child Development and Nutrition Fiscal Services (CDNFS) fiscal report forms include sections for Expenses. Expenses should be reported only if there is corresponding income that is also being reported. The *California School Accounting Manual*, published by the California Department of Education (CDE), provides additional guidelines, which is a good resource for classifying expenditures.

REPORTING CATEGORIES

All expenses related to the program that are reimbursable by the contract should be reported on the first fiscal page of the Attendance and Fiscal report. Expenses are broken down into categories based on how the funds are spent. The majority of expenses will fall into categories 1000–5000, as described on the report. Below is clarification on these line items of the fiscal report. Detailed information regarding other expense categories will be found under the “Start-Up,” “Indirect Costs,” and “Administrative Costs” sections.

Direct Payments to Providers: Amount of payments made to providers through Alternative Payment contracts and CCTR or CSPP contracts with services provided through Family Child Care Homes. Payments should include parent fees collected and retained by providers (see “Family Fees and Co-Payments”).

Certificated salaries (1000): Salaries paid to employees with a child development permit, teaching credential, or other appropriate certificate. If a person has a teaching credential but is employed in a position that does not require the credential, then that salary should be reported as “Classified.”

Classified salaries (2000): All other salaries that are not certificated.

(2100) Salaries paid to instructional aides who are required to perform any portion of their duty under the supervision of a classroom teacher or that of a special education resource specialist teacher (*California Education Code*, Section 41011).

(2200) Salaries paid to instructional media and library, student support, pupil transportation, food services and maintenance and operations functions.

(2300) Salaries paid to supervisory personnel who are business managers, controllers, directors, chief accountants, accounting supervisors, purchasing agents, site administrators, superintendents and assistant superintendents.

(2400) Salaries paid to clerks, secretaries, accountants, bookkeepers, programmers and computer technical support, machine and computer operators and others in similar positions.

Employee Benefits (3000): Employers' contributions to retirement plans and health and welfare benefits.

Books and Supplies (4000): Expenditures for books and supplies including costs of sales/use tax, freight, and handling charges.

Services and Other Operating Expenses (5000):

A total of 5a, b, c, d, e, f. Itemize as follows:

5a) Expenditures for rentals, leases.

5b) Service contracts: includes janitorial, consultant, auditor, maintenance contracts, etc.

5c) Nutrition: expenses related to meals/snacks served to children in the program.

5d, 5e, 5f) travel, insurance, utilities, legal, and other operating expenditures.

SUPPLEMENTAL EXPENSES

Expenses related to funds utilized to enhance the program beyond the basic child development services for certified and non-certified children are to be reported on the second fiscal page. Non-reimbursable expenses for the program should be reported as supplemental expenses.

IN-KIND DONATIONS

Donated or volunteer services, and donated goods, property, or use of space, may be furnished to a child care contractor. The value of these goods or services is not reimbursable with contract funds either as a direct or indirect cost, but such donations or contributions must be reported on the Attendance and Fiscal Report and in the contractor's audit. The value of such donations or contributions must be quantified to a dollar amount and reported both as restricted income and also as a corresponding program expense. In all cases the determination of value will be guided by Office of Management and Budget Circular A-102 or 2 Code of Federal Regulations, Chapter 2, Part 215, as applicable.

COST ALLOCATION PLAN

A cost allocation plan identifies the appropriate amount of expenses to be ascribed to a program. A common example of an expense that is cost allocated is a program director's salary that must be prorated between program and non-program duties. A cost allocation plan may be for direct costs only, for indirect costs only, or for both direct and indirect costs, depending on what is applicable to the program. Contractors with multiple programs, including at least one CDE program, should discuss a cost allocation plan with their certified public accountant (CPA) whether or not the programs are co-located. Contractors unsure if they need a cost allocation plan should have their CPA contact the Audits and Investigations Division of the CDE for general guidance. The cost allocation plan must be on file and be made available to CDE staff upon request.

- For Local Educational Agencies (LEAs) contractors, a cost allocation plan should be reviewed and approved by the contractor's CPA prior to implementation.
- For public and private (non-LEA) contractors, a cost allocation plan should be reviewed by the contractor's CPA prior to implementation. The contractor's annual audit must indicate whether a cost allocation plan was used and describe the various bases of allocation (e.g., rent based on square footage occupied, or staff time based on time sheets showing actual hours spent in each program).

(See "Commingled versus Co-Located Programs" and "Indirect Costs").

EXPENSE REPORTING GUIDELINES

- Report Expenses Related to the Program. Expenses for both certified and non-certified children shall be reported (*California Code of Regulations, Title 5, Section 18068(a)(5)*), including expenses paid by a "match" requirement, and non-reimbursable expenses. Report all program expenses, regardless of the fact that contract reimbursement may be limited to prorated expenses (see "Accrual versus Cash Accounting," "Commingled versus Co-Located Programs," "Center-Based Programs: Limits of Reimbursement," and "Proration of Costs").
- Round Dollars. Please round all revenue and expenses to the nearest whole dollar.
- Never Use Negatives. All data on the report form is cumulative. Negative numbers should never be used.

EQUIPMENT

EQUIPMENT APPROVAL REQUIREMENTS

Per the Funding Terms and Conditions (FT&C), all equipment and equipment replacement purchases that meet either of the following criteria shall be approved in writing in advance by the Department of Education:

- The per-unit acquisition cost equals or exceeds the lesser of the capitalization level established by the contractor for financial statement purposes, or five thousand dollars (\$5,000), including tax; or
- The sum of all items related to the purchase exceeds ten thousand dollars (\$10,000) when considering all components necessary to perform the intended purpose of the equipment, including tax.

Approval requests shall be submitted on the Request for Approval of Equipment form (CD-2703) to the contractor's Early Learning and Care Division (ELCD) consultant.

All expenses associated with a purchase that are necessary for the equipment to perform its intended purpose should be included in determining if prior approval is required (e.g., individual computer components such as the computer, monitor and software are all included in determining whether the equipment purchase requires prior approval).

Local Education Agencies (LEAs) must also comply with the applicable sections of the *Public Contract Code*.

EQUIPMENT BIDDING REQUIREMENTS

All equipment purchases, replacements and improvements, unless performed by the contractor's staff that meet either of the following criteria must have at least three (3) bids or estimates:

- The per-unit cost equals or exceeds five thousand dollars (\$5,000), including tax, or
- The sum of all items related to the purchase exceeds \$10,000, including tax.

Each bid must contain prices for equivalent and comparable items and/or services. When available, consolidating procurements to obtain a more economical purchase is required. Subdividing equipment purchases into separate items (i.e., split-bidding) to avoid the competitive bidding requirement is prohibited. The contractor must purchase the goods or services from the lowest responsible bidder or estimator.

If three (3) bids or estimates cannot be obtained, the contractor shall provide adequate documentation of the reason(s) why three (3) bids or estimates could not be obtained (e.g., an emergency situation, or the item is only available from a single source).

LEAs should comply with the applicable sections of the *Public Contract Code* for obtaining bids or estimates.

For additional information, contractors should consult the Fiscal Year 19–20- FT&C or contact their ELCD consultant.

EQUIPMENT INVENTORY REQUIREMENTS

Each contractor is required to maintain an inventory record for each piece of equipment that is purchased with state and/or federal funds (*California Code of Regulations, Title 5, Section 3946, 18025*), including Quality Rating and Improvement System funds. A physical inventory of equipment must be taken at least every two (2) years and reconciled with property records. A copy of this inventory should be kept on site and should include an item description, identification number, acquisition date with original cost, funding source, location, and the ultimate disposition of the item, including sale price or method used to determine current fair market value.

LEAs should also comply with the applicable sections of the *California School Accounting Manual*.

START-UP (SERVICE-LEVEL EXEMPTION)

Start-Up is a service-level exemption, an amount that may be reimbursed without the required enrollment to earn it (*Education Code (EC) Section 8208(ac)*). One of the limits of reimbursement is service level earnings (certified enrollment multiplied by the contract rate). (See “Center-Based Programs: Limits of Reimbursement”). However, a new or expanded program may have valid expenses prior to having sufficient enrollment to earn those expenses. A Start-Up allowance exempts those expenses from the service requirement by increasing actual service earnings by the amount claimed as Start-Up Expenses. This adjusted limit allows the contractor to be reimbursed for expenses.

EXAMPLE:

Contract terms:

MRA: \$170,000
Reimbursable Costs: \$155,000
Attendance Earnings: \$140,000
Approved Start-Up: \$15,000

Year-End Report:

Net Reimbursable Costs: \$155,000 + \$15,000 = \$170,000
cde Earnings adjusted for Attendance: \$140,000 + \$15,000 = **\$155,000**

Without Start-Up, this contract would be reimbursed \$140,000 (the lesser of Net Reimbursable Costs, Adjusted Service Earnings, and MRA). With Start-Up included, the total reimbursement would be \$155,000 and covers the actual costs of the program.

A Start-Up allowance is not an annual term, and contractors are not entitled to a specific percentage of a Start-Up allowance. The California Department of Education (CDE) “*may reimburse approvable start-up costs*” in “*an amount not to exceed 15 percent of the expansion or increase*” of the contract amount (*EC Section 8275*). Start-Up is not additional funding but is part of the contract Maximum Reimbursable Amount (MRA). This service-level exemption is included in apportionment amounts and final reimbursement, and no separate check is issued for Start-Up expenses or reimbursements.

To request a Start-Up allowance, the contractor will need to submit a line-item budget and a budget narrative justification to their Early Learning and Care Division Consultant. The line-item budget should include the quantity, unit cost, and total cost. The budget narrative should provide a written description that justifies the need for each requested line-item.

Certain line-items will not require a quantity or unit price, such as office supplies. The total cost of the line-item will suffice. For example, the Start-Up request may include a line-item for office supplies in the amount of \$1,000. The budget does not need to include the quantities or unit prices of the different supplies purchased. However, the budget narrative justification should provide a general description and justification for the office supplies being purchased. For all items requested, the criteria CDE will use for approving the item(s) are whether the cost is reasonable and necessary.

Purchase Orders, invoices, or an internal agency expenditure report will not be accepted for review in lieu of a line-item budget.

NOTE:

- Start-Up expenses must be reported on the “Start-Up Expenses” line of the expense section of the Child Development and Nutrition Fiscal Services report forms.
- Start-Up expenses should not be reported in expenditure categories 1000–5000, 6100/6200, 6400, and 6500.
- Start-Up expenses must be reported in the contractor’s audit on an Audited Attendance and Fiscal Report (AUD form), and be supported by a separate schedule that details start-up expenses by expense categories 1000–5000, 6100/6200, 6400, and 6500.
- Any “unused” Start-Up allowance cannot be reserved or carried forward to a subsequent fiscal year.
- A program that has sufficient enrollment earnings to cover costs, or to earn the full contract MRA, will not need the Start-Up allowance exemption.

SEASONAL MIGRANT “START-UP/CLOSE-DOWN”

Seasonal (part-year) migrant contracts include an amount allowed for “Start-up/Close-down” as listed on the contract face sheet. This is different from a “Start-Up” allowance, which is a one-time service-level exemption for new or expanded contracts. Seasonal migrant contractors may incur unique costs associated with closing down and starting up agency operations to coincide with the periods of service needed by migrant families, and these unique costs may be reimbursed with the “Start-up/Close-down” allowance.

Similar to a “Start-Up” (service-level exemption) allowance, a “Start-up/Close-down” allowance is not additional funding and is not issued as a separate check; it is part of the Maximum Reimbursable Amount (MRA) that may be reimbursed without a service requirement. *“Reimbursement for both startup and closedown costs shall not exceed 15 percent”* of the contract MRA (*Education Code* Section 8233(b)). The allowance is reimbursed only to the extent claimed, and the remainder of the MRA is subject to service requirements. Any unused allowance amount cannot be reserved or carried forward to a subsequent fiscal year. Unlike a “Start-Up” (service-level exemption) allowance, a “Start-up/Close-down” allowance is an annual contract term for seasonal migrant contracts.

STAFF TRAINING DAYS (SERVICE-LEVEL EXEMPTION)

STAFF TRAINING DAYS FOR CENTER-BASED PROGRAMS

California Code of Regulations, Title 5 Section 18274 requires each contractor to develop and implement a staff development program that includes staff development opportunities on topics related to functions specified in each employee's job description and identification of training needs of staff or service providers. Per *Education Code (EC)* Section 8208(ae), staff training and development activities are included as a supportive service, making these costs reimbursable to the child development program. Assembly Bill (AB) 2626 added *EC* Section 8272.1, allowing the California Department of Education (CDE) to reimburse expenses associated with professional development without requiring contractors to meet the service requirement for their contract.

Contractors taking advantage of these optional staff training days will report all reimbursable costs, including those associated with up to two staff training days, in expense categories 1000 through 5000 on the Child Development and Nutrition Fiscal Services (CDNFS) report form. Additionally, contractors must identify the amount to which the total expenses reported within categories 1000 through 5000 are associated with staff training expenses, on the Total Staff Training Expense Line of the CDNFS report forms. This identification will allow the CDE to collect the necessary data to reimburse these expenditures and adjust the contract earnings accordingly.

Expenses incurred for up to two staff training days are reimbursed as a service-level exemption. Service-level exemptions increase contract earnings by adjusting two of the three limits of reimbursement: net reimbursable costs and service earnings. This adjusted limit allows the contractor to be reimbursed for expenses that may not have otherwise been reimbursed due to the limits of reimbursement rules. Reimbursement for this service-level exemption is similar to reimbursement for Start-Up expenses.

EXAMPLE:

MRA: \$500,000
Reimbursable Costs: \$500,000
Service Earnings: \$475,000
Identified Staff Training Expenses: \$25,000

In this example, without the approved staff training expenses of \$25,000, the contract would be reimbursed \$475,000 (the lesser of Net Reimbursable Costs, Adjusted Service Earnings, and the contract MRA). By reporting \$25,000 in staff training expenses, the total reimbursement will be \$500,000.

Staff training does not need to be preapproved, and is not a contract term. As with all program expenses, contractors are required to have supporting documentation for all expenses reported on CDNFS report forms readily available for CDE review. This may include:

- Invoices for training and travel
- Determination of staff costs for attending training (wages, benefits, and travel expenses)

A letter containing more information related to the reimbursement of staff training costs can be found on our website at: <https://www.cde.ca.gov/fg/aa/cd/stafftrainingdaysletter.asp>.

INDIRECT COSTS

Indirect costs are defined as expenses *“that cannot be readily assigned to one specific program or one specific line item within a program”* (Funding Terms and Conditions (FT&C)). Indirect costs are a portion of the expenses for administrative activities that would normally be identified in the 1000–5000 categories but are agency-wide charges not directly attributable to the one specific program.

EXAMPLE: A school uses one classroom for a State Preschool program. The school’s business office handles all purchasing for the school. The supplies for the preschool program can be separately identified as direct costs of that program, but the costs incurred by the business office in the purchasing (including salaries and benefits for the business office staff) cannot; so, the school uses a cost allocation plan to prorate the business office expenses, and a small percentage of it is charged to the preschool program as indirect costs. Instead of reporting purchasing as a direct operating expense on line 5000, the prorated amount is reported on the “Indirect Costs” line.

Administrative costs *include* any allowance for indirect costs (see FT&C). There is a 15 percent limit on administrative costs, so contractors should carefully assess costs to determine which can be attributed to direct operating expenses rather than to indirect or administrative costs so that the limit is not exceeded (see “Administrative Costs”). For additional information about what may be considered indirect, contact your certified public accountant or the Audits and Investigations Division of the California Department of Education (CDE).

LIMITS to INDIRECT COSTS

Indirect costs are limited to an indirect cost rate that must be “based on an approved cost allocation plan, not to exceed the rate specified in the annual child development contract” (*California Code of Regulations (CCR), Title 5, Section 18034(k)*). Federal regulation allows a maximum indirect cost rate of ten percent for any non-federal entity that has never received a negotiated indirect cost rate. For any non-federal entity that has a negotiated indirect cost rate, such as CDE-approved rates for school districts and county offices of education, the maximum indirect cost rate shall be the lesser of the negotiated indirect cost rate or the ten percent referenced at Section 200.414 (f) of Title 2, Chapter 2, Office of Management and Budget Guidance. CDE-approved rates are based on the Standardized Account Code Structure financial reporting software via the Indirect Cost Rate worksheet and should be available in the school administration office, or on the CDE Web site for indirect cost rates (see “Reference Materials”). Indirect costs may be applied only to expenses that would otherwise be included in the first five expenditure categories (1000–5000), salaries, supplies, and operating expenses (FT&C), including provider payments for Alternative Payment programs. Indirect costs may also be applied to expenditure categories 1000–5000 reported as start-up expenses. Indirect costs may not exceed the allowed indirect cost rate multiplied by the total amount of actual direct costs claimed in categories 1000–5000. Some support contracts do not allow indirect costs; see the FT&C prior to reporting.

NOTE: The limit for indirect costs is strict, and contractors should therefore verify that the costs reported as indirect cannot be allocated to another reporting category.

REPORTING INDIRECT COSTS

If indirect costs are reported, a cost allocation plan must be on file (see “Expenses”). On the Child Development and Nutrition Fiscal Services fiscal report, indicate the indirect cost rate being used, report the indirect costs on the “Indirect Costs” line, and be sure to also include the reported indirect costs as administrative costs on the “Total Administrative Cost” line below the “Total Expenses” line.

The lists of CDE-approved rates for Local Education Agencies, frequently asked questions, and letters regarding indirect cost rates can be found on the following CDE website:

<https://www.cde.ca.gov/fg/ac/ic/>

ADMINISTRATIVE COSTS

Contractors are required to report all expenses for their program, including all administrative costs. Administrative functions are defined as *“activities that do not provide a direct benefit to the children, parents, or providers”* (California Code of Regulations, Title 5, Section 18034(c)). Administrative costs include any allowance for indirect costs and audits (Funding Terms and Conditions (FT&C)). *Education Code* Section 8276.7 limits reimbursement of administrative costs to *“not exceed 15 percent of the funds provided.”* Since the California Department of Education contract does not provide funds for costs paid for by restricted income or for costs that are non-reimbursable, Child Development and Nutrition Fiscal Services (CDNFS) calculations limit reimbursement of administrative costs to 15 percent of net costs (total expenses minus restricted income and non-reimbursable costs). Administrative costs for an Alternative Payment program are limited to 15 percent of the greater of net costs or the initial maximum reimbursable amount (including any authorized cost-of-living adjustment). Actual administrative costs that exceed the allowed limit will be deducted as non-reimbursable on earnings calculations.

NOTE: The limit for administrative costs is strict, and contractors should therefore verify that the costs reported as administrative are specifically administrative.

EXAMPLE: A secretary spends part of his time typing the Attendance and Fiscal Report. Most of his time is spent answering the phone, talking to parents, and preparing enrollment files. Typing the report form is purely administrative, so only that amount of salary for his time spent on the report form should be reported as an administrative cost.

Contractors shall maintain written documentation for the justification used in determining administrative costs (FT&C).

REPORTING

Administrative costs are included in appropriate line items under “Reimbursable Expenses” (e.g., audit costs should be listed as “Services and Other Operating Expenses” and indirect costs are listed on the “Indirect Costs” line). All administrative costs are *also* reported on the “Total Administrative Cost” line below the “Total Expenses” line on the CDNFS fiscal report.

(See “Indirect Costs”).

REVISED REPORTS

Contractors may submit revised interim reports if they choose, but any revised report must be a complete report.

FORMAT for REVISED REPORT

Any revised report must include all pages, corrected data columns, and new original signature—including those that are not being changed. Pages not being revised may be photocopies, but if the signature page is a photocopy it must have another original signature for the report to be valid. Revised reports should be marked “Revised,” “Amended,” or “Corrected” at the top of each page. Incomplete or unsigned reports will not be accepted.

ADJUST CUMULATIVE PRIOR PERIOD

Adjusting previously reported data during the contract period does not usually require a revised report. Since prior-period data is cumulative, reported data that is incorrect can be corrected by adjusting the “Cumulative Prior Period” column of the next report for the contract period to show the correct cumulative data. A note in the “Comments” section that prior period data has been adjusted to correct information from the previous report is required.

NOTE: If an error was made in the preparation of a monthly or quarterly report which will greatly affect apportionments, agencies are encouraged to contact their fiscal analyst and submit a revised report.

When submitting a revised report, never report negative figures in “Current Period” columns. Doing so could adversely affect the calculations that determine apportionment amounts. The “Current Period” columns should always contain only current-period data.

YEAR-END REPORTS

For most contracts, the June report is the last report of the contract period. Correcting a year-end report will require submitting a complete revised report. Contractors should submit a revised year-end report as soon as revised data is available. Additionally, if the revised report deadline listed below falls on a weekend or holiday, then the revised report is due the following business day.

LEAs: Contract closure and year-end reimbursement calculations for a Local Educational Agency (LEA) are based on the year-end report, so it is vital that information is complete and accurate. LEAs should submit a revised report, if necessary, to Child Development and Nutrition Fiscal Services (CDNFS) as soon as possible, but “*Contractors have sixty (60) days from the due date for submission of the audit to submit a revised report*” to your CDNFS fiscal analyst (Funding Terms and Conditions (FT&C)).

- A County Superintendent of Schools/School District audit is due on December 15 (*Education Code Section 41020*). The revised report deadline is February 13.
- A Community College audit is due on December 31 (FT&C), so the revised report deadline is March 1.

- Contractors may submit an audit extension request prior to the audit due date. LEA contractors with an approved audit extension have 60 days from the extended due date to submit an audit report, which must include a copy of the written approval for the extension to verify the extended due date.

Revised reports may be submitted after these deadlines, but the contractor must follow a detailed procedure to be eligible for consideration. Contact your CDNFS analyst for more information.

Non-LEAs: Non-LEA contractors may submit revised year-end reports until August 20. Contractors will receive a preliminary contract closure calculation based on the year-end report, or a revised year-end report, calculated by CDNFS for reports received by the August 20 deadline. After that, any revised reports will not be calculated. Contract closure and year-end reimbursement calculations will be based on the contractor's audit.

- Contractors may submit an audit extension request prior to the audit due date. Non-LEA contractors with an approved audit extension have 30 days from the extended due date to submit an audit report, which must include a copy of the written approval for the extension to verify the extended due date.

NOTE: When submitting the audit report, data entered into "Cumulative Prior Period" of the AUD form must match the information previously reported in "Cumulative Fiscal Year" of the year-end report.

CalWORKs (both LEAs and Non-LEAs): CalWORKs contractors may submit revised year-end reports until September 30. The CDE is required by the Budget Act to bill CalWORKs contractors, both LEA and private contractors, for unearned CalWORKs funds prior to audit completion based on June year-end earnings calculations. Contractors will receive a Preliminary Billing Advice from CDNFS prior to receiving an invoice from the California Department of Education Accounting Office. Contractors must wait until they receive the actual invoice before making any payments. It is imperative that CalWORKs contractors pay these invoices as promptly as possible to avoid having the outstanding billing become delinquent and future apportionments withheld (see "CalWORKs Reimbursements and Billings").

REPORTING FOR CENTER-BASED PROGRAMS

CENTER-BASED REPORTING BASICS

There are four different types of Center-Based Programs. These four program types are California General Child Care (CCTR), California State Preschool (CSPP), California Migrant (CMIG), and California Severely Handicapped (CHAN).

REPORT FORMS

Child Development and Nutrition Fiscal Services (CDNFS) report forms are available on the website: <https://www.cde.ca.gov/fg/aa/cd/cdnfsforms19.asp>. Please note that the instructions are on a separate page. Contractors are required to use CDNFS report forms.

REQUIRED REPORTS

Center-Based contractors are required to submit quarterly reports to the California Department of Education, unless on Conditional or Provisional status (see “Contract Classification”).

CCTR: CDNFS 9500

CHAN: CDNFS 1400

CMIG: CDNFS 9500

CSPP: CDNFS 8501

REPORT SUBMISSION CHECKLIST

In order to expedite the processing of your CDNFS attendance and fiscal report and monthly apportionment, ensure the following items are complete and accurate on every report:

- ✓ Report(s) must be submitted on most current CDNFS report form
- ✓ All pages are submitted and stapled together
- ✓ Report period and *current* contract number are on each page
- ✓ County number and vendor code are on each page.
- ✓ Contractor name is on each page. This must match agency name on the contract; site names are not accepted
- ✓ All cumulative prior period and current period data has been entered
- ✓ Verify that Days of Operation and Days of Attendance have been updated for the current period
- ✓ Use only approved indirect cost rate, not to exceed 10 percent (see “Indirect Costs”)
- ✓ Authorized agency designee has reviewed, dated, and signed the report. The signature must be original; photocopies or rubber stamps are not acceptable and the report shall be deemed delinquent.
- ✓ Be sure to keep a copy for your records.

HEAD START PARTNERSHIPS

Head Start and Early Head Start grantees may be utilizing grant funds to grow or supplement their California Department of Education (CDE) Child Development programs. This funding is reported to the CDE on attendance and fiscal reports, depending on how the funding is used. Below is guidance on how to report Head Start and Early Head Start funds that are used to support CDE funded programs on the CDNFS 8501 and CDNFS 9500.

HEAD START

Contractors with a part-day CSPP contract may partner Head Start funding to provide a full day of services to meet the needs in their community.

When Head Start funds are used to provide preschool services for hours that exceed the part-day State Preschool program:

- Report children enrolled in the program as “One-half-time” under “Days of Enrollment Certified Children” of the CDNFS 8501 report form.
- Do not include the hours of enrollment funded by Head Start under “Days of Enrollment Certified Children” or “Non-Certified Children.”
- Report Head Start revenue as unrestricted income under “Revenue” (*Education Code (EC) Section 8235(g)*), if the contractor does not choose to cost allocate. All expenses should then be reported in “Reimbursable Expenses.”

Contractors have the option to cost allocate Head Start and CSPP expenses when Head Start funding is used to provide a full day of services to children enrolled in a part-day CSPP program. If the contractor chooses to cost allocate, Head Start revenue and expenses should not be included on the CDNFS 8501 form and the cost allocation methodology must be on file.

When Head Start funding is used to provide services to non-CDE subsidized children in the same classroom as CDE subsidized children:

- Report the children funded by Head Start under “Non-Certified Children” on the CDNFS 8501 form.
- Report Head Start income as unrestricted income under “Revenue” in the “Unrestricted Income: Head Start” field of the CDNFS 8501 form.
- Report the corresponding expenses in “Reimbursable Expenses.”

EARLY HEAD START AND EARLY HEAD START CHILD CARE PARTNERSHIPS

Contractors holding a CCTR contract may also be recipients of Early Head Start funding or receive funding through an Early Head Start Child Care Partnership (EHS-CCP).

A CCTR certified child can attend a CCTR program for more than the hours and/or days of certification specified on the Notice of Action when the additional hours and/or days of care are funded by Early Head Start or EHS-CCP.

When additional *hours* of care are funded by Early Head Start or EHS-CCP:

- Report the CCTR certified days of enrollment under “Days of Enrollment Certified Children” of the CDNFS 9500 form in the appropriate category.
- Do not include the hours of enrollment funded by Early Head Start or EHS-CCP under “Days of Enrollment Certified Children” or “Non-Certified Children” of the CDNFS 9500.
- Report Early Head Start and EHS-CCP revenue as unrestricted income under “Revenue” (*EC* Section 8235(g)), if the contractor does not choose to cost allocate, and all expenses should then be reported in “Reimbursable Expenses.”

Contractors have the option to cost allocate Early Head Start or EHS-CCP and CCTR expenses when Early Head Start or EHS-CCP funding is used to provide additional hours of care to CCTR certified families. If the contractor chooses to cost allocate, Early Head Start and EHS-CCP revenue and expenses should not be included on the CDNFS 9500 form and the cost allocation methodology must be on file.

When additional *days* of care are fully funded by Early Head Start or EHS-CCP:

- Report the CCTR certified days of enrollment under “Days of Enrollment Certified Children” of the CDNFS 9500 form in the appropriate category.
- Report the additional days of enrollment that are funded by Early Head Start or EHS-CCP under “Non-Certified Children” of the CDNFS 9500.
- Report the Early Head Start or EHS-CCP revenue under “Revenue” in the “Unrestricted Income: Head Start” field.
- Report the corresponding expenses in “Reimbursable Expenses.”

If Early Head Start or EHS-CCP funding is used to enhance a CCTR program, rather than to provide additional hours or days of care, the grant funds must be reported on the CDNFS 9500 form in “Supplemental Revenue.” The corresponding expenses should be reported in “Supplemental Expenses.”

COMMINGLED versus CO-LOCATED PROGRAMS

COMMINGLED PROGRAMS

A commingled program is defined as *“the provision of services to both subsidized and non-subsidized children in the same classroom at the same time”* (California Code of Regulations (CCR), Title 5 Section 18013(i)). The most common example of a commingled program is a program that serves both certified children (subsidized by the contractor’s California Department of Education (CDE) contract) and non-certified children (funded by a source other than a CDE child development contract). The Attendance and Fiscal Report for a commingled program consists of separate enrollment data for certified and non-certified children and separate fiscal data for each program.

“Non-certified” in the scenarios below refers to a child that is not subsidized under *any* CDE child development program. Children that are subsidized under one CDE child development program but are receiving services in a commingled program (e.g. CCTR certified children commingled in a CSPP classroom), are not considered “non-certified” for reporting purposes. Rather, non-certified children are those whose services are being funded by a source other than a CDE child development contract (e.g. full-fee paying families or other grants).

Contractors that commingle certified children with either non-certified children or with children certified by a different CDE child development program may be able to allocate costs associated with these children. Contractors should be aware of when cost allocation is allowed and when it is prohibited. Guidance on how to determine when costs can or cannot be allocated is provided below.

For instances where a contractor with a center-based contract (CCTR or CSPP) commingles with non-certified children, the contractor will submit the appropriate CDNFS report and include all appropriate sections. The Supplemental Revenue and Supplemental Expenses sections will be required if supplemental revenue is received and utilized in the program:

CDNFS 8501 *or* CDNFS 9500

- Days of Enrollment Certified Children: report enrollment for certified children
- Non-Certified Children: report enrollment for non-certified children
- Revenue and Reimbursable Expenses: report fiscal data for the entire program. All fiscal data for costs associated with non-certified children must also be reported here.
- Supplemental Revenue and Supplemental Expenses: report supplemental income and expenses

For instances where a contractor holds a CSPP contract and a CCTR contract with the CDE, and operates a classroom commingled with both CSPP and CCTR children, the contractor will submit CDNFS reports for both programs:

CDNFS 8501

- Days of Enrollment Certified Children: report enrollment for CSPP certified children
- Non-Certified Children: no enrollment data should be reported
- Revenue and Reimbursable Expenses: report fiscal data that is cost allocated for CSPP
- Supplemental Revenue and Supplemental Expenses: report supplemental income and expenses

CDNFS 9500

- Days of Enrollment Certified Children: report enrollment for CCTR certified children
- Non-Certified Children: no enrollment data should be reported
- Revenue and Reimbursable Expenses: report fiscal data that is cost allocated for CCTR
- Supplemental Revenue and Supplemental Expenses: report supplemental income and expenses

For instances where a CSPP contractor holds a CCTR contract with the CDE and commingles both CCTR children *and* non-certified children into a predominantly CSPP classroom, contractors will submit CDNFS reports for both programs:

CDNFS 8501

- Days of Enrollment Certified Children: report enrollment for CSPP certified children
- Non-Certified Children: report enrollment data for all non-certified children (not to include CCTR certified children)
- Revenue and Reimbursable Expenses: report fiscal data that is cost allocated for CSPP (all fiscal data for costs associated with non-certified children should also be reported here)
- Supplemental Revenue and Supplemental Expenses: report supplemental income and expenses

CDNFS 9500

- Days of Enrollment Certified Children: report enrollment for CCTR certified children
- Non-Certified Children: no enrollment data related to the commingled classroom should be reported
- Revenue and Reimbursable Expenses: report fiscal data that is cost allocated for the CCTR program
- Supplemental Revenue and Supplemental Expenses: report supplemental income and expenses

NOTE on Federal Funding: Programs serving children with a CDE child development contract funded in part by federal funds are not considered commingled. All children subsidized by the CDE contract are reported as certified. However, contractors are responsible for reporting the amount of federal funds spent, and they may be required to report separate enrollment and attendance data associated with federal funds to the CDE Early Learning and Care Division for statistical purposes (see “Contractor’s Responsibilities”).

COMMINGLED TRANSITIONAL KINDERGARTEN AND PRESCHOOL PROGRAMS

Assembly Bill (AB) 1808 amended *Education Code (EC)* 8235 to include that school districts and charter schools that administer a California state preschool program may place four-year-old children in a transitional kindergarten program classroom. AB 1808 also amended *EC* Section 48000 to include that school districts and charters schools that commingle children from both programs in the same classroom shall meet all of the requirements of the respective programs in which the children are enrolled.

Contractors shall report the services, revenues, and expenditures for the CSPP certified children on the CDNFS 8501 report form. Contractors are not required to report services, revenues, and expenditures for the children enrolled in the transitional kindergarten program on form CDNFS 8501.

CO-LOCATED PROGRAMS

Co-located programs are those that share the same facility but not the same classroom. These can be program types that cannot be commingled because they are different types of programs with different program requirements, or program types that can be commingled, but the contractor chooses not to do so. Contractors with co-located programs must report each program separately, and therefore must have a cost allocation plan to accurately report the appropriate costs for each program. Contractors with co-located CDE contracts must ensure subsidized children are not enrolled in more than one program at the same time. **The enrollment and costs of a child may not be charged to more than one contract.**

EXAMPLE: A contractor operates a California State Preschool program and a migrant program at the same site. Since the two programs have different requirements, they cannot be commingled, but there are some facility and staffing costs (electricity, program director's salary, etc.) shared by both. A cost allocation plan for shared costs is required, and the costs related to each program will be appropriately reported to the CDE (See "Expenses").

ALTERNATIVE PAYMENT OR SUBCONTRACT PLACEMENTS

Center-based programs that accept children of the same program type from another California Department of Education contractor through a subcontract or an alternative payment (AP) voucher program must report those children as non-certified when the subcontracted children or children with AP vouchers are commingled into the same classroom as children receiving services directly through the center-based contract. The subcontracted or children with AP vouchers are reported as certified on the direct contractor's attendance and fiscal report, therefore cannot be reported as certified on the subcontractor's reports. Both the direct contractor and the subcontractor should report the income and expenses related to the subcontracted children.

EXAMPLE: A General Child Care (CCTR) contractor subcontracts with another CCTR program to provide services for one toddler. The direct contractor will report the toddler as certified under "Days of Enrollment Certified Children" of their CDNFS 9500 report form. The subcontractor will report the toddler as non-certified under "Non-Certified Children" of their CDNFS 9500 report form. Both contractors will report expenses related to the one child.

ENROLLMENT versus ATTENDANCE

On center-based reports, three items that are frequently mistaken for each other are “Days of Enrollment,” “Days of Operation,” and “Days of Attendance.” While enrollment and attendance are closely related and might even be the same number for a given reporting period, they are calculated differently and are separated on the report form by the line for days of operation.

DAYS OF ENROLLMENT

A “Day of Enrollment” is a day that a child is certified to attend a program per the contractor’s Notice of Action (NOA) approval for services. A day of enrollment will always fall on a day that the agency is open and providing services. Certified days of enrollment for all children are to be reported on the proper Child Development and Nutrition Fiscal Services (CDNFS) report form on page 1 and must be reported in the category of each child’s certification (e.g. One-half-time, Exceptional Needs, Limited and Non-English Proficient, etc.).

Days of enrollment reported to CDNFS must reconcile with each child’s application for services, as well as the NOA provided by the contractor. If a family requests a change in services, the family file must be updated (applications *“shall be updated within thirty days”* according to the Funding Terms and Conditions), and days of enrollment should be reflected accurately on CDNFS report forms.

DAYS OF ATTENDANCE

“Days of Attendance” is a total of the days that certified children are present in the program for any part of a day for which they are enrolled or if they have excused absences. Excused absences are *“because of illness, quarantine, illness or quarantine of their parent, family emergency, or to spend time with a parent or other relative as required by a court of law or that is clearly in the best interest of the child”* (Education Code Section 8208(e)). Contractor’s operating centers and/or family child care homes shall use daily sign-in/sign-out sheets as a primary source document for reporting purposes (*California Code of Regulations (CCR), Title 5, Section 18065*).

REPORTING ENROLLMENT AND ATTENDANCE

On reports for center-based contracts, both total “Days of Enrollment” and total “Days of Attendance” will be whole numbers. Children certified with a set schedule should always be reported based on their certified enrollment, regardless of their actual attendance on any given day. Days of attendance and days of enrollment will be identical if there are no *unexcused* absences. Days of attendance will be less than enrollment if there are unexcused absences. Attendance can never be greater than enrollment. Attendance of non-certified children is not reported.

EXAMPLE 1: A contractor has an approved calendar with 21 days of operation in the month of September. A child in the program is certified as full-time for every day during the month of September. On three separate instances during the month of September, the child is picked up early and attends only one-half time on those days. On the CDNFS report, the child’s enrollment will still be marked as 21 days of enrollment in the Full-time category for September.

EXAMPLE 2: A contractor has an approved calendar with 21 days of operation in the month of September. A child in the program is certified to attend for the entire month in the full-time time-base category. However, based on the contractor's policy provided in the parent handbook and in accordance with *CCR, Title 5* Section 18066, the child has three unexcused absences during the month of September. The total days of enrollment for this child for the month of September is 21 days in the Full-time time-base category. The total days of attendance for this child for that same period is 18.

ADJUSTMENT FACTORS – TIME-BASED

Many center-based contracts allow for actual enrollment to be adjusted by time-based adjustment factors. Time-based designations (full-time, half-time, etc.) account for costs based on the length of services in a day. Rather than complicate contracts with multiple reimbursement rates for these part-day designations, the California Department of Education uses adjustment factors to change actual enrollment to *Adjusted* Days of Enrollment. Since service-level earnings are based on the contract rate multiplied by Adjusted Days of Enrollment, this practice results in different reimbursement levels.

GENERAL PROGRAMS

General programs are divided into four time-based designations. The four designations and their adjustment factors, in accord with *Education Code* Section 8266.1, are:

Full-time plus	(10.5 hours and over)	1.18
Full-time	(6.5 to under 10.5 hours)	1.00
Three-quarters-time	(4 to under 6.5 hours)	0.75
Half-time	(under 4 hours)	0.55

CALIFORNIA STATE PRESCHOOL PROGRAMS

California State Preschool programs are divided into four time-based designations. The four designations and their adjustment factors are:

Full-time plus	(10.5 hours and over)	1.18
Full-time	(6.5 to under 10.5 hours)	1.00
Three-quarters-time	(4 to under 6.5 hours)	0.75
Half-time*	(under 4 hours)	0.6193

* Senate Bill 75 (Chapter 51, Statutes of 2019) added *EC* Section 8266.2 allowing the following part-day CSPP adjustment factors to be increased.

Exceptional Needs	(under 4 hours)	0.9537
Severely Disabled	(under 4 hours)	1.1952

REPORTING NOTES:

- A child may be enrolled full-time on one day and half-time on another day according to the need of the family/child.
- Adjustment factors do NOT increase a contract's Maximum Reimbursable Amount (MRA), but instead determine how much of the MRA a contractor is earning based on the certified children being served.

EXAMPLE:

MRA: \$50,000

MDO: 100 days

Rate: \$50 per day

To determine potential service earnings, use the following formula:

Number of children x MDO x daily rate x adjustment factor = service earnings

- If a contractor is serving only Full-time certified children, then they can serve a total of 10 children for 100 days to earn their MRA.
 - $10 \times 100 \times \$50 \times 1 = \$50,000$
- If a contractor is serving only Half-time certified children, they would need to serve 18 children for 100 days in order to almost earn their full MRA.
 - $18 \times 100 \times \$50 \times 0.55 = \$49,500$

ADJUSTMENT FACTORS – SPECIAL CRITERIA

Many center-based contracts allow for actual enrollment to be adjusted by special criteria adjustment factors. Special criteria factors recognize that different categories of children (infants, severely disabled, etc.) require special care or services and that the costs for these services vary. Rather than complicate contracts with multiple reimbursement rates, the California Department of Education uses adjustment factors to change actual enrollment to *Adjusted* Days of Enrollment. Because service-level earnings are based on the contract rate multiplied by Adjusted Days of Enrollment, this practice results in different reimbursement levels.

NOTE: Reimbursement resulting from the use of adjustment factors “*shall be used for special and appropriate services for each child for whom an adjustment factor is claimed*” (Education Code (EC) Section 8265.5). If special services are not being provided, the use of these adjustment factors is a violation of contract conditions that will result in action taken against the contractor.

SPECIAL CRITERIA ADJUSTMENT FACTORS

Adjustment factors for children meeting specified criteria are defined in EC Section 8265.5. Attendance and Fiscal Report forms include the categories appropriate for each program, extrapolated for part-day service. The specified criteria, age ranges, and full-time adjustment factors are as follows:

Specified Criteria	Age Ranges	Full-Time Adjustment Factors
Infants, child day-care center	0 to 18 months of age	2.44
Toddlers, child day-care center	18 to 36 months of age	1.8
Exceptional needs*	0 to 21 years of age	1.54
Severely disabled*	0 to 21 years of age	1.93
At risk of neglect, abuse, or exploitation	0 to 13 years of age	1.1
Limited and non-English-speaking	2 years-kindergarten age	1.1

NOTE:

- A child’s enrollment SHALL NOT be reported in more than one category for any given day.
- Earnings calculated by using adjustment factors do NOT increase a contract’s Maximum Reimbursable Amount.
- The adjustment factor category for Family Child Care Homes has been removed from the CDNFS 9500 report form. These children should be reported in one of the categories

above.

- For contracts where a child may age from one category to another, the reimbursement levels and adjustment factors are set based on the age of the child. The child should be reported in their proper age category. For example, when a child becomes 18 months of age, they are to be reported as a toddler.

* To be certified for “exceptional needs” or “severely disabled” enrollment, the child must have an active individualized family service plan for infants and toddlers under three years of age, or an active individualized educational program for children ages 3 to 21 years, be receiving early intervention services, and require the special attention of adults in a child care setting, per *EC* Section 8208(l).

ADJUSTMENT FACTORS – EARLY CHILDHOOD MENTAL HEALTH CONSULTATION SERVICES

Education Code (EC) Section 8239.1 requires contractors, in consultation with parents and guardians, take specific steps before expelling or dis-enrolling a child from a California State Preschool Program (CSPP) or General Child Care Program (CCTR) because of a child's challenging behavior. Assembly Bill 2698 amended the *EC* Section 8265.5 to add a new adjustment factor of 0.05, which can be claimed in addition to any other single adjustment factor, and would apply to all children within a classroom or family child care setting when early childhood mental health consultation (ECMHC) services are provided. These statutory additions build on a statewide focus to address challenging behaviors in classrooms and family child care home settings by supporting children and families through ECMHC services and to encourage contractors to provide such services through an additional adjustment to the Standard Reimbursement Rate (SRR) to reflect the cost of providing such services.

All CSPP contractors, and any CCTR contractors who care for infants and toddlers in a center-based setting or children 0–60 months in a family child care home setting, who elect to implement ECMHC services to support teaching staff and families by helping to address challenging behaviors in the classroom or family child care home setting, may utilize the ECMHC adjustment factors.

To receive an additional ECMHC adjustment of 0.05, contractors must utilize either the CDNFS 8501MHCS or CDNFS 9500MHCS. The CDNFS 8501MHCS or CDNFS 9500MHCS include pages where the adjustment factor categories already include the additional 0.05 adjustment for ECMHC services, and pages containing the regular adjustment factor categories for those classrooms where ECMHC services are not provided. These forms can be found on our 2019–20 forms webpage at <https://www.cde.ca.gov/fq/aa/cd/cdnfsforms19.asp>.

The specified criteria, age ranges, and adjustment factors for full-time children associated with ECMHC Services are as follows:

Specified Criteria	Age Ranges	ECMHC Service Adjustment Factors
Infants, child day-care center	0 to 18 months of age	2.49
Toddlers, child day-care center	18 to 36 months of age	1.85
Exceptional needs*	0 to 21 years of age	1.59
Severely disabled*	0 to 21 years of age	1.98
At risk of neglect, abuse, or exploitation	0 to 13 years of age	1.15
Limited and non-English-speaking	2 years-kindergarten age	1.15

REPORTING FOR ALTERNATIVE PAYMENT PROGRAMS

ALTERNATIVE PAYMENT REPORTING BASICS

There are four different program types of Alternative Payment (AP) Programs. These four program types are California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 2 and Stage 3 (C2AP and C3AP), California Alternative Payment Program (CAPP), and Family Child Care Home Education Networks (CFCC).

ONLINE REPORTING for AP CONTRACTS

AP contractors must report electronically online. This is a two-step process of submission and certification in which the certification process substitutes for an original signature. AP reports not *submitted and certified* by the due date are delinquent. For online submissions, see the California Department of Education (CDE) website at <http://www2.cde.ca.gov/cdfs/logon.aspx>.

REPORTS REQUIRED

Due to the fluctuating nature of CalWORKs funding needs, the CDE has different reporting requirements for CalWORKs contracts. All CalWORKs contractors must submit a caseload and fiscal report on a monthly basis (see “Reporting Deadlines”).

CalWORKs FISCAL REPORTS

A CalWORKs Fiscal Report is required for each CalWORKs contract and is based on year-to-date **accrued revenue and expenditure data** (see “Accrual vs. Cash Accounting”). Contractors must ensure that provider payments are reported on an accrual basis, as fiscal report data is used to project earnings and have a direct correlation to payment calculations.

EXAMPLE: A child care provider has failed to submit the required paperwork by your agency’s deadline and thus has not been paid for providing child care for the month of July. Although payment has yet to be made, your total “Direct Payments to Providers” on the July fiscal report must *include* the accrued amount so the report reflects an accurate picture of your agency’s monthly expenses. The payments must also be adjusted monthly as they increase or decrease.

CalWORKs CASELOAD REPORTS

The Budget Act requires the Department of Education to conduct a monthly analysis of CalWORKs Stage 2 and Stage 3 caseload and expenditures data. The CalWORKs Caseload Report and the analysis conducted by CDNFS allow the Department to track and project expected caseload on an agency, county, and statewide level. A CalWORKs Caseload Report must be submitted for each county the contractor serves and is based on **actual service and expenditure data** for the report period. Contractors must ensure that provider payments reported on the caseload report represent actual payments made in the report month.

EXAMPLE: A child care provider has failed to submit the required paperwork by your agency’s deadline and thus has not been paid for providing child care for the month of July. The July caseload report would not reflect this as a payment made to the provider, as the payment has not actually been made in the report month. Instead, the payment made to the provider would be reported on the caseload report in the month that the payment was actually disbursed.

Notes Regarding CalWORKs Caseload Reports:

- The caseload report does not impact contract apportionments, however the data collected from the Caseload Report does impact the monthly analysis that CDNFS performs.
- These caseload reports are not cumulative reports, and therefore adjustments cannot be made to one single column, like the fiscal reports allow. A new Caseload Report must be submitted for any revisions necessary to previously reported data.
- Contractors serving in multiple counties, must submit a Caseload Report for each county in which services are provided.

CalWORKs REVISED MONTHLY REPORTS

Contractors may submit revised fiscal and/or caseload reports during the current contract period. Refer to the “Revised Reports” section for information on how to submit revised fiscal reports. Since caseload reports are not cumulative reports, all revisions to caseload reports require contractors to submit and recertify a new report. It is the contractor’s responsibility to determine which reports need to be resubmitted. If a revised report is submitted, contractors must call their Child Development and Nutrition Fiscal Service analyst to inform them of the revised report submitted online.

FAMILY FEES AND CO-PAYMENTS

FAMILY FEES

Child development contracts provide funding for services to low-income families who could otherwise not afford child care services. Eligible families, however, may be required to pay a portion of the costs for care and contractors are required to collect fees from those families. Fees collected from families are known as a family fee (see “Family Fees”).

Alternative Payment (AP) contractors may allow family fees to be collected and retained directly by the providers and be used to offset against contractor payments; however, the contractor is still responsible for assessing the correct amount of Family Fees and reporting those fees as program revenue as well as payments to the provider. Since Family Fees are spent first in lieu of contract funds, they are considered payments to the provider. Family Fees are not the same as a co-payment, which a parent may owe directly to a provider.

NOTE: Because the contractor is required to report the family fees collected and retained directly by the providers as both revenue and as an expense, for reporting purposes, agencies should not offset the amount of provider payments by family fees collected when reporting provider payments on Child Development and Nutrition Fiscal Services report forms.

CO-PAYMENTS

Subsidized families participating in an AP program may also be required to pay a co-payment. A co-payment is dependent on the provider a family chooses. Some provider rates exceed the Regional Market Rate (RMR) ceiling, which is the maximum amount a provider can be reimbursed through a child development contract. If a family chooses a provider whose rate exceeds the RMR ceiling, the family must pay the difference. This difference is known as the co-payment and is paid by the family directly to the provider.

Since a co-payment is a separate agreement between the family and the provider, co-payments should not be reported by the AP contractor to the California Department of Education, and therefore does not affect state contract reimbursement calculations.

PROVIDER PAYMENTS AND ADJUSTMENT FACTORS – SPECIAL CRITERIA

Child care providers are reimbursed for providing services to eligible children enrolled in an Alternative Payment (AP) program. *Education Code (EC)* Section 8222 requires that an AP child care provider submit a copy of the provider's rate sheet to the AP contractor, listing the rates charged and any discount or scholarship policies the provider has in place. Payments made by the AP contractor to the child care provider are known as provider payments. Reimbursement from the AP contractor cannot exceed the established Regional Market Rate (RMR) ceiling, as required by *EC* 8357. Every month, the contractor must determine the reimbursement to the provider, which is based on the lesser of the provider's set rate or the RMR ceiling.

Contractors must reimburse providers in accordance with specified rate categories. *California Code of Regulations (CCR)*, *Title 5*, Section 18075 defines the various reimbursement rate categories for AP programs, which are described as hourly, daily, part-time weekly, full-time weekly, part-time monthly and full-time monthly depending on the individual care provided. Additionally, *CCR*, *Title 5*, Section 18075.1 and 18075.2 define different adjustment factors that can be applied to the reimbursement for services specifically for evening and weekend care, or for those providing services to a child with exceptional needs or is severely disabled.

ADJUSTMENT FACTORS FOR EVENING OR WEEKEND CARE FOR LICENSED PROVIDERS

CCR, *Title 5* Section 18075.1 allows for the use of adjustment factors for children who receive evening or weekend care with a licensed provider. Specifically, when services are provided to a child during the period from 6:00 p.m. to 6:00 a.m. on any day of the week or from 6:00 a.m. Saturday to 6:00 a.m. Monday, the contractor shall multiply the applicable regional market rate ceiling by one of the following adjustment factors:

- (1) 1.25 when 50 percent or more of the certified need for child care occurs during this period.
- (2) 1.125 when at least 10 percent, but less than 50 percent of the certified need for child care occurs during this period.

Reimbursement to the provider shall be the lesser of the amount the provider charges unsubsidized families for the same hours or care, or the maximum subsidy amount as determined by the adjustment factors above.

ADJUSTMENT FACTORS FOR CHILDREN WITH EXCEPTIONAL NEEDS OR SEVERELY DISABLED

CCR, *Title 5*, Section 18075.2 allows for the use of adjustment factors for children with exceptional needs or are severely disabled. Specifically, the contractor shall multiply the lesser of the regional market rate ceiling or the provider rate, by either 1.2 when a child has exceptional needs as defined in *EC* Section 8208(l) or by 1.5 when the child is severely disabled as defined in *EC* Section 8208(x). Contractors may only apply the exceptional needs or severely disabled adjustment factor when there is documentation that additional services and/or accommodations for that particular child are being provided and such services and/or accommodations result in an on-going financial impact on the provider.

APPORTIONMENTS FOR ALL PROGRAMS

ADVANCE APPORTIONMENTS

Child development contracts allow reimbursement to be advanced to contractors in monthly apportionments. Child Development and Nutrition Fiscal Services (CDNFS) is responsible for generating apportionment amounts and reporting the apportionment amounts to the Accounting Office. The Accounting Office schedules payments with the State Controller's Office (SCO), and the SCO produces and sends the checks. Apportionments can be withheld by CDNFS due to delinquent reports, non-adherence to conditional contract addendums, delinquent prior year audits (per the Audit and Investigations Division), delinquent account receivables (per the Accounting Office), or any delinquent list or special withholding instructions per the Early Learning and Care Division, according to *California Code of Regulations, Title 5, Section 18056(a)* (see "Apportionment Notifications").

DETERMINING APPORTIONMENTS

Each month's normal apportionment is a fixed percentage of the contract's Maximum Reimbursable Amount, but apportionment amounts may be reduced based on projection calculations using data from the most recent Attendance and Fiscal Report (see "CDNFS Apportionment Schedules").

Earnings projection calculations use reported data to *project* contract earnings through the end of the fiscal year. Projection calculations are intended to produce a flow of funds that corresponds to the amount the contractor will actually earn through the end of the contract period. Ideally, the year-end earnings calculation will indicate a reimbursement amount equal to the total apportionments advanced. Year-end reimbursement calculations may not match total advances and contract closure may result in an additional payment or a billing for unearned contract funds. When an amount is billed, contractors are responsible for returning that amount to the California Department of Education (CDE), even if their own funds must be used due to incorrectly spent CDE contract funds. *Contractors should closely monitor expenditures and service levels so they do not spend more than they will earn* (see "Projecting Your Earnings").

The proportion of each apportionment depends on the contract type and status:

- "Conditional" or "Provisional" contracts are advanced one hundred percent of each apportionment for the months July through September. The October apportionment and all subsequent apportionments are determined by the contract's earnings projection.
- "Clear" contracts are advanced one hundred percent of each apportionment for the months July through November. The December apportionment and all subsequent apportionments are determined by the contract's earnings projection.

Because of the different times that reports may be received, apportionments for different contracts may be determined by different reports (e.g., a January apportionment may be based on a September report for one contract but based on an October report for another contract). Contractors on Clear status may choose to submit monthly reports for more accurate projection calculations.

SUPPORT CONTRACTS – INITIAL ADVANCE ONLY

Support contracts are expenditure-only contracts that supplement service contracts or otherwise support the child development community. Support contracts receive an initial advance apportionment of 25 percent of the contract amount less the match requirement if the contract has one. After the initial advance, support contracts do not receive further advance apportionments based on projections. Instead, they are simply reimbursed for their reported costs that exceed what they have already been apportioned. Quarterly reports are required for all support contracts so that CDNFS may determine if further reimbursements are necessary. Contractors may report more frequently than quarterly if they need to be reimbursed sooner.

CDNFS APPORTIONMENT SCHEDULES

The tables on the next two pages show the apportionment schedules for all child development programs. These charts show the maximum percentages that may be apportioned each month, but the actual apportionment amounts may be lower based on projections (see “Advance Apportionments” and “Projecting Your Earnings”).

Seasonal Migrant Contracts Apportionment Schedules

MONTH ADVANCE IS RECEIVED	Seasonal Migrant % of MRA	Seasonal Migrant Cumulative	Seasonal Migrant Special Services % of MRA	Seasonal Migrant Special Services Cumulative
JULY	24.5%	24.5%	20%	20%
AUGUST	17%	41.5%	20%	40%
SEPTEMBER	17%	58.5%	20%	60%
OCTOBER	12.75%	71.25%	15%	75%
NOVEMBER	0%	71.25%	0%	75%
DECEMBER	0%	71.25%	0%	75%
JANUARY	0%	71.25%	0%	75%
FEBRUARY	0%	71.25%	0%	75%
MARCH	12.85%	84.1%	6.25%	81.25%
APRIL	5.3%	89.4%	6.25%	87.5%
MAY	5.3%	94.7%	6.25%	93.75%
JUNE	5.3%	100%	6.25%	100%

NOTE: Seasonal (part-year) Migrant maximum advance payment percentages are somewhat irregular because they include allowances for Start-up/Close-down. Seasonal Migrant contractors usually do not receive apportionments from November through February.

Alternative Payment and All Other Programs Apportionment Schedules

MONTH ADVANCE IS RECEIVED	Alternative Payment Programs % of MRA	Alternative Payment Programs Cumulative	All Other Programs % of MRA	All Other Programs Cumulative
JULY	11.1%	11.1%	8.3%	8.3%
AUGUST	11.1%	22.2%	8.3%	16.6%
SEPTEMBER	11.1%	33.3%	8.4%	25.0%
OCTOBER	7.5%	40.8%	8.3%	33.3%
NOVEMBER	7.4%	48.2%	8.3%	41.6%
DECEMBER	7.4%	55.6%	8.4%	50%
JANUARY	7.4%	63%	8.3%	58.3%
FEBRUARY	7.4%	70.4%	8.3%	66.6%
MARCH	7.4%	77.8%	8.4%	75%
APRIL	7.4%	85.2%	8.3%	83.3%
MAY	7.4%	92.6%	8.3%	91.6%
JUNE	7.4%	100%	8.4%	100%

NOTES:

- Most service contracts receive an initial advance (25%) and thereafter are reimbursed according to report data.
- Alternative Payment contracts receive an initial advance (33.3%) and thereafter are reimbursed according to report data.
- Support contracts (CHST, CLPC, etc.) receive an initial advance (25%) and thereafter are reimbursed according to quarterly report data.
- See “Advance Apportionments” for more information regarding advances after the initial apportionment.

REIMBURSEMENT

CENTER-BASED PROGRAMS: LIMITS of REIMBURSEMENT

Reimbursement is limited to the lesser of the following, per *California Code of Regulations (CCR)*, Title 5, Section 18054:

1. The contract Maximum Reimbursable Amount (MRA); or
2. The net reimbursable program cost for subsidized children (called “costs”); or
3. The Child Days of Enrollment (cde) earnings adjusted for attendance (called “service earnings”).

Family Fees for subsidized children and interest earned on advanced contract funds are subtracted from both net reimbursable costs and service earnings, per *CCR*, Title 5, Section 18057.

1. MAXIMUM REIMBURSABLE AMOUNT

The MRA is a term of the child development contract. This is the most that an agency will be paid for their child services or reimbursable costs in a given fiscal year. Changes to the MRA during the fiscal year will require an amendment to the contract.

2. NET REIMBURSABLE COSTS

The California Department of Education (CDE) contract subsidizes only certified children. Costs for certified children are prorated based on total program enrollment since all children receive comparable services.

EXAMPLE:

MRA: \$100,000

Reimbursable Costs: \$201,234

Restricted Income: \$4,455

Percent of Certified Enrollment: 60%

Family Fees and Interest: \$775

Net Costs = Reimbursable Costs – Restricted Income

Total Net Reimbursable Costs = (Net Costs x Percent of Certified Enrollment) – Family Fees and Interest

Net Costs = \$201,234 - \$4,455 = \$196,779

Total Net Reimbursable Costs = (\$196,779 x 0.60) - \$775 = \$117,292

With a contract MRA of \$100,000, the program has sufficient costs to claim the full contract amount—however, the excess \$17,292 in costs must be covered by additional income outside of the CDE contract. If the MRA is \$120,000, then the program did not earn the full contract amount but *does* have sufficient reimbursement to cover all of its \$117,292 costs for subsidized children (*if* service earnings at least equal costs, see below).

3. SERVICE EARNINGS

Subsidized service earnings are the adjusted certified enrollment multiplied by the contract rate and multiplied by the adjusted attendance percentage.

EXAMPLE:

MRA: \$100,000

Adjusted certified child days of enrollment (cde): 2,376

Contract Rate: \$48.28

Percent of Adjusted Attendance: 100%

Family Fees and Interest: \$775

Reimbursable Service Earnings = (cde x Contract Rate x Percent of Adjusted Attendance) – Family Fees and Interest

Reimbursable Service Earnings = (2,376 x \$48.28 x 1) - \$775 = \$113,938

If the contract MRA is \$100,000, then the program has sufficient service earnings to be paid the full contract amount. If the MRA is \$120,000, then the program has low certified enrollment and is not able to earn the full MRA.

In all instances, the contractor will be reimbursed based on the lesser of the three limits of reimbursement. When contract reimbursement is not sufficient to cover total program costs, the excess costs must be covered by income outside of the CDE contract.

EXAMPLE 1:

1. MRA: \$100,000

2. Costs: \$117,292

3. Service Earnings: \$107,879

Fiscal Year Reimbursement: \$100,000 (MRA)

Expenses Incurred Beyond Contract Reimbursement: \$17,292

EXAMPLE 2:

1. MRA: 120,000

2. Costs: \$117,292

3. Service Earnings: \$113,938

Fiscal Year Reimbursement: \$113,938 (Service Earnings)

Expenses Incurred Beyond Contract Reimbursement: \$3,354

PRORATION of COSTS FOR CENTER-BASED PROGRAMS

California Department of Education (CDE) child development programs provide “*subsidized child care and development services . . . to persons meeting the eligibility criteria*” (Education Code Section 8202a). When subsidized (certified) and non-subsidized (non-certified) children are commingled in one program, services for each child in the program are to be equitable regardless of the funding source. To ensure equality of program services, the Child Development and Nutrition Fiscal Services determines program costs for certified children by prorating the total costs of the program, using reported child days of enrollment (cde) to determine the percentage of costs applicable. The percentage of certified enrollment is determined by dividing the adjusted certified enrollment by the adjusted total enrollment (“adjusted” in this case means enrollment that has been multiplied by the appropriate special criteria adjustment factors). The CDE contract reimburses only for the certified portion of the program. Contractors must collect sufficient outside income to support the non-certified portion of their program (see “Fees or Income for Non-Certified Children”).

EXAMPLE:

Certified cde Reported: 10
Noncertified cde Reported: 40
Total cdes Reported: 50
Percent of Certified Children: 20%
Percent of Non-Certified Children: 80%
Reported Reimbursable Expenses: \$35,000
Prorated Actual Reimbursable Expenses: \$7,000

INSUFFICIENT NON-CERTIFIED INCOME

CDE contracts reimburse only for certified children. As determined by proration, a contractor must collect enough income through non-certified fees or other sources to support the cost of non-certified children enrolled in the program. A contractor who fails to spend enough on non-certified children may not earn the entire CDE contract amount.

EXAMPLE: A CDE contract of \$100,000 is funding a program that is 50 percent certified. For the program to have sufficient reimbursable costs to earn the MRA of \$100,000, it will have to spend at least \$200,000 on the entire program (\$200,000 prorated by 50 percent is \$100,000). This means the contractor will have to collect and spend at least \$100,000 in other funding for the non-certified portion of the program.

PROJECTING YOUR EARNINGS

For each Child Development and Nutrition Fiscal Services (CDNFS) report that a contractor submits to the California Department of Education (CDE), the CDE will send an Earnings Projection worksheet. This worksheet is used to determine projected earnings and an appropriate apportionment payment. For the information following, a contractor should refer to their most recent calculation worksheet received from the CDE. Projection calculations are based on the information from the Attendance and Fiscal Reports, the contract terms, and the amount of contract funds previously advanced (line 26, "Apportionments to Date"). The CDNFS calculation sheet is computer generated, however contractors can use the calculations printed on the worksheet, along with the following information, to create a manual version of the worksheet and determine projected earnings and the amount of funds to be apportioned.

The earnings projection calculation may result in a temporary reduction of the apportionment amount (*California Code of Regulations, Title 5, Section 18056*), but does not change the contract Maximum Reimbursable Amount (MRA). Conversely, projections may cause an overpayment of contract funds, which may result in a billing for unearned contract funds once the contract is closed. Because of this, it is always important to review the data in the report submitted, as well as the calculation worksheet that is sent to the agency based on that data.

NOTE: The calculated apportionment amount is for a particular month. The apportionment calculation will be updated with each report submitted by a contractor to the CDE. This means that a contractor may receive a calculation worksheet each month or only each quarter, depending on how frequently a report is submitted to CDE.

PROJECTION FACTORS

During the fiscal year, CDE uses a projection factor to estimate the year-end service earnings and reimbursable costs of an agency's program. This projection factor is derived by comparing the actual days of operation to the contract Minimum Days of Operation (MDO).

Projection Factor (Line 12) = MDO (Line 11) / Actual Days of Operation to Date (Line 10)

EXAMPLE: Calculating the Projection Factor based on September Report

MDO: 246

Actual Days of Operation: 63

Projection Factor = $246 / 63 = 3.9048$

CALCULATING EARNINGS AND APPORTIONMENTS

The calculation worksheet that a contractor receives from CDNFS uses the following information to calculate the projected contract earnings based on the information reported by the contractor. Examples of pertinent data are provided on the following pages to illustrate how reported data is used to project contract earnings, as well as determine monthly apportionment payments. If a contractor is using this information to create a manual version of this projection worksheet, the entire worksheet should be completed for a more complete projection that accounts for all factors that affect apportionment payments. The following examples, like the Projection Factor example above, are utilizing mock September reporting data that a contractor would provide to CDE via the CDNFS report(s).

Projecting Expenses and Service Earnings:

Projected reimbursable costs and service-level earnings are estimated by multiplying the reported data by the calculated projection factor.

Projected Reimbursable Expenses (Line 13) = Net Reimbursable Expenses (Line 9) x
Projection Factor (Line 12)

Projected Service Earnings (Line 17) = Actual Service Earnings (Line 16) x Projection
Factor (Line 12)

EXAMPLE: Projecting Expenses and Service Earnings based on September Report

Net Reimbursable Expenses: \$150,000
Actual Service Earnings: \$135,000
Projection Factor: 3.9048

Projected Reimbursable Expenses = \$150,000 x 3.9048 = \$585,720

Projected Service Earnings = \$135,000 x 3.9048 = \$527,148

Projecting Fiscal Year Reimbursement:

The lesser of projected reimbursable expenses or projected service earnings is then reduced by projected Family Fees and/or interest and compared to the MRA in order to determine the projected fiscal year reimbursable earnings (see “Center-Based Programs: Limits of Reimbursement”).

Projected FY Contract Earnings (Line 21) = Lesser of Projected Reimbursable Expenses
vs Projected Service Earnings

Projected Family Fees & Interest (Line 23) = [Reported Family Fees + Interest] (Line 22) x
Projection Factor (Line 12)

Projected FY Adjusted Contract Earnings (Line 24A) = Projected FY Contract Earnings
(Line 21) - Projected Family Fees & Interest (Line 23)

Projected FY Reimbursement (Line 24B) = Lesser of MRA (Line 14) vs Projected FY
Adjusted Contract Earnings (Line 24A)

EXAMPLE: Projected Fiscal Year Reimbursement based on September Report

Projected Reimbursable Expenses: \$585,720
Projected Service Earnings: \$527,148
Projected FY Contract Earnings: \$527,148 (Lesser of Above)

Reported Family Fees + Interest: \$10,500

Projected Family Fees = \$10,500 x 3.9048 = \$41,000

Projected FY Adjusted Contract Earnings = \$527,148 - \$41,000 = \$486,148

Example MRA: \$550,000

Projected FY Adjusted Contract Earnings: \$486,148

Projected FY Reimbursement: \$486,148 (Lesser of Above)

Calculating Apportionment Payment:

The calculated apportionment for any particular month is the MRA multiplied by the percentage of projected earnings multiplied by the maximum cumulative percentage applicable for that month (see “CDNFS Apportionment Schedules”), minus apportionments paid to date.

Projected Percentage of Contract Earnings (Line 27) = Projected FY Reimbursement (24B) / MRA (Line 14)

Calculated Apportionment Payment (Line 28) = MRA (Line 14) x Projected Percentage of Contract Earnings (Line 27) x Maximum Cumulative Percentage (CDNFS Apportionment Schedule) – Apportionments to Date (Line 26)

NOTE: The Maximum Cumulative Percentage is based on the apportionment month, which is three months after the reporting month. In the example below, the reporting data being used is from a September report and so the apportionment month is December.

EXAMPLE: Calculated Apportionment Payment based on September Report

Example Reporting Month:	September
Example Apportionment Month:	December
Maximum Cumulative Percentage:	50.0%
Example Apportionments to Date:	\$220,500

Projected Percentage of Contract Earnings = $\$486,148 / \$550,000 = 88.39\%$

Calculated Apportionment Payment = $\$550,000 \times 88.39\% \times 50.0\% - \$220,500$

Calculated Apportionment Payment = \$22,573

OVER-ENROLLMENT IN CENTER-BASED PROGRAMS

Over-enrollment is defined as a program that is providing more certified child days of enrollment (cde) than required by the contract. Center-based contracts state a minimum cde requirement to earn the contract Maximum Reimbursable Amount (MRA). It is fiscally acceptable in some instances to serve more than the minimum; however, the contractor will not be reimbursed for more than the contract MRA. Contractors must therefore monitor enrollment, projections, and their ability to secure other funding to cover any additional costs incurred. The following are two common over-enrollment situations.

OVER-ENROLLMENT for FAMILY FEES

Family fees for certified children are in lieu of contract payments; that is, the fees that subsidized families provide reduce the amount of contract funds that the California Department of Education (CDE) would apportion to the contractor. When a contractor collects family fees for certified children, providing services for only the minimum cde listed in the contract will result in the contractor earning less than the MRA. In this situation, the contractor will need to “over-enroll,” or serve more than the cde required by the contract to earn the MRA.

EXAMPLE – FAMILY FEES NOT COLLECTED:

MRA: \$250,000
Rate: \$50
Minimum cde required by contract = 5,000
Minimum Days of Operation (MDO) = 250
Family Fees Collected: \$0

This program is required to serve a minimum 5,000 cde in order to earn the full MRA of \$250,000, which means they need to serve at least 20 full-time children. A contractor can determine the number of full-time equivalent children required to earn the contract using the following formula:

$$\text{cde} \div \text{MDO} = \text{number of children}$$
$$5,000 / 250 = 20 \text{ full-time children}$$

EXAMPLE – FAMILY FEES COLLECTED:

MRA: \$250,000
Rate: \$50
Minimum cde required by contract = 5,000
MDO = 250
Family Fees Collected: \$25,000

For this example, the contractor intends to collect family fees of \$25,000. The reimbursement of contract funds earned will be reduced by the amount of family fees collected, which will result in the contractor under-earning their contract. For budgeting purposes, the contractor will need to recalculate the number of cde that they must serve to fully earn the contract to determine the number of children required to earn the contract MRA. The following calculations can be used to determine the new cde requirement and the number of children required to earn the MRA:

$(\text{MRA} + \text{Family Fees}) \div \text{Rate} = \text{cde required to earn contract}$
 $\text{cde} \div \text{MDO} = \text{number of children required}$

$(\$250,000 + \$25,000) / \$50 = 5,500 \text{ cde}$
 $5,500 / 250 = 22 \text{ full-time children}$

In order to fully earn the contract of \$250,000 in this example with \$25,000 family fees, the contractor will need to serve a minimum of 5,500 cde, which is the equivalent of 22 full-time certified children.

OVER-ENROLLMENT WITHOUT ADDITIONAL EXPENSES

It is possible for some contractors to provide services to additional certified children without an impact on the program's reimbursable expenses. Expanding certified services at no additional cost indicates that the actual cost for certified children is below the contract rate. This may occur when fixed costs have decreased from a prior year.

EXAMPLE:

MRA: \$250,000
Minimum cde required = 5,000
MDO = 250
Reimbursable Expenses: \$250,000

This contractor has indicated that they are able to earn the full MRA of \$250,000 by serving 5,000 cde—the equivalent of 20 full-time certified children at a rate of \$50 per day for 250 days—and has also indicated that it can provide these services with \$250,000 in reimbursable expenses.

If, instead, this contractor reported that it was serving 6,000 cde—the equivalent of 24 full-time certified children—the service earnings for the program would be \$300,000 (cde x contract rate) and the contractor would still earn the full MRA by providing services. However, in this scenario, if the contractor still reported \$250,000 in reimbursable expenditures, then the actual cost per certified child is effectively \$41.67 per day ($\text{MRA} \div \text{cde} = \text{daily rate per child}$) instead of the contract rate of \$50 per day.

Over-enrollment that does not increase program costs does not indicate that anything is wrong with the program; however, it may indicate that the contract rate is too high. Programs with a history of over-enrollment and low costs may have their contract rate reduced in subsequent fiscal years.

Over-enrollment that does increase program costs may be a fiscal problem for the contractor. If a program both over-enrolls AND over-spends the contract amount, the contractor will need another source of income to cover the costs of certified services that are beyond the contract MRA. If the contractor notices that its projected services or expenses have changed, the contractor can request a transfer of funds between the CCTR and CSPP contracts, if allowable (see "CSPP/CCTR Transfer Period"). The contractor may also request a transfer of funds from another contractor through the voluntary and temporary transfer of funds process (see "Voluntary/Temporary Transfer of Funds").

ALTERNATIVE PAYMENT PROGRAMS: LIMITS of REIMBURSEMENT

Reimbursement for all Alternative Payment (AP), including CalWORKs Stage 2, CalWORKs Stage 3, Alternative Payment Programs, and Family Child Care Home contracts, is limited to the lesser of the following:

1. The contract Maximum Reimbursable Amount (MRA); or
2. The “amount earned.”

(see Funding Terms and Conditions).

AP contracts do not specify a standard reimbursement rate but instead use the Regional Market Rate (RMR) Survey to set a ceiling on the payments to providers. Provider payments include family fees for certified children and interest earned on advanced contract funds, but these are subtracted when calculating reimbursement (*California Code of Regulations, Title 5, Section 18057*). In addition to provider payments, AP contracts specify maximum percentages allowed for administrative and support services costs and differ depending on the type of program (see “Administrative and Support Allowance for Alternative Payment Programs”).

“AMOUNT EARNED” for all ALTERNATIVE PAYMENT PROGRAMS

The “amount earned” consists of reimbursable expenditures of:

1. Direct provider payments; and
2. Actual administrative and support costs related to services provided (see “Administrative and Support Allowance for Alternative Payment Programs”).

EXAMPLE: An AP contract has an MRA of \$100,000. The contractor spends \$15,000 on administrative costs and \$2,500 on support, both within the maximum contract terms, and \$52,500 in provider payments: the “amount earned” is \$70,000, and contract reimbursement is limited to that amount.

For all AP contracts, administrative costs alone may not exceed 15 percent of the contract MRA.

ADMINISTRATIVE AND SUPPORT ALLOWANCE FOR ALTERNATIVE PAYMENT PROGRAMS

Alternative Payment (AP) contractors are required to report all expenses for their program, including all administrative and support costs. Administrative functions include “activities that do not provide a direct benefit to the children, parents or providers” (see “Administrative Costs”), whereas support services are defined as services which, when combined with child care and development services, help promote the healthy, physical, mental, social and emotional growth of children and families.

ADMINISTRATIVE AND SUPPORT ALLOWANCE

Allowances for administrative and support costs depend on the program type. *Education Code (EC)* Section 8223 limits reimbursement for administrative and support costs for Alternative Payment (CAPP), Stage 2 (C2AP) and Stage 3 (C3AP) contracts to “not exceed an amount equal to 17.5 percent of the total contract amount”, or net costs whichever is greater. Family Child Care Home Education Networks (CFCC) administrative and support costs are limited at 30 percent (Funding Terms and Conditions Section V.L.).

NOTE: Administrative costs for all AP programs are limited to 15 percent of the greater of net costs or the initial maximum reimbursable amount (*EC* Section 8276.7).

A contractor can utilize their entire administrative and support allowance by having 15 percent in administrative costs and 2.5 percent in support services for CAPP, C2AP, and C3AP contracts or 15 percent in support services for CFCC contracts. If the contractor wanted to provide more support services, they could do so by reducing their administrative costs. For example, if a Stage 2 contractor limited their administrative percentage to 10 percent, then 7.5 percent would remain available for support services and they would stay within the 17.5 percent limit. However, administrative costs of 16 percent and 1.5 percent in support services would not be allowable because the limit to administrative costs is 15 percent.

Similarly, if a contractor wanted to provide more direct services they could do so by reducing their administrative and support percentage. For example, if a Stage 2 contractor limited their administrative and support percentage to 10 percent of their total contract amount, then 90 percent of their total contract amount would be available for direct services.

BUDGETING, PROJECTING, AND DETERMINING YEAR-END ADMINISTRATIVE AND SUPPORT COSTS

Alternative Payment (CAPP), Family Child Care Home Education Networks (CFCC), Stage 2 (C2AP) and Stage 3 (C3AP) programs use different calculations to project earnings throughout the year and to determine year-end earnings.

BUDGETING ADMINISTRATIVE AND SUPPORT COSTS

At the beginning of the year, Alternative Payment contractors should review their contract upon receipt to determine their budget for the year. Contractors can budget to spend up to the maximum limits of reimbursement for administrative and support costs with the remainder of their Maximum Reimbursable Amount (MRA) budgeted for provider payments. For CAPP, C2AP, and C3AP contracts, the maximum limit of reimbursement for administrative support costs is limited to 17.5 percent of the MRA, while CFCC contracts have a maximum limit for administrative and support costs of 30 percent of the MRA (see “Administrative and Support Allowance for Alternative Payment Programs”).

EXAMPLE: A Stage 2 contractor receives their initial contract and wants to determine how much of their MRA can be used for administrative and support costs. For budgeting purposes, the contractor knows they have up to 17.5 percent allowable for administrative and support costs. This leaves 82.5 percent in provider payments needed to fully earn the contract.

Stage 2 MRA = \$100,000

$\$100,000 \times 17.5\% = \$17,500$ allowable administrative and support costs

$\$100,000 \times 82.5\% = \$82,500$ needed in provider payments to fully earn the MRA.

Contractors are reminded of the administrative cost limit (see “Administrative Costs”). Although the Stage 2 contractor in this example can budget for \$17,500 in administrative and support costs, administrative costs alone cannot exceed \$15,000, or 15 percent of the MRA. The remaining \$2,500 can be budgeted for support services.

EXAMPLE: For budgeting purposes, a CFCC contractor knows they have up to 30 percent allowable for administrative and support costs, which leaves 70 percent for provider payments.

CFCC MRA = \$100,000

$\$100,000 \times 30\% = \$30,000$ allowable administrative and support costs

$\$100,000 \times 70\% = \$70,000$ needed in provider payments to fully earn the MRA.

Contractors are reminded of the administrative cost limit (see “Administrative Costs”). Although the CFCC contractor in this example can budget for \$30,000 in administrative and support costs, administrative costs alone cannot exceed \$15,000, or 15 percent of the MRA. The remaining \$15,000 can be budgeted for support services.

PROJECTING ADMINISTRATIVE AND SUPPORT COSTS

Monthly projection calculations use a maximum non-provider percentage to project administrative and support costs to ensure that the ratio between administrative and support costs and provider payments remain consistent. This maximum non-provider percentage is a ratio between the administrative and support maximum, and provider payments. This ratio is calculated by dividing the maximum administrative and support percentage by the remaining percentage left for provider payments. Applying the maximum non-provider percentage assumes that the ratio between administrative and support and provider payments remains constant.

For CAPP, C2AP and C3AP contracts the maximum non-provider percentage is 21.2121 percent ($17.5\% / 82.5\% = 21.2121\%$). The following examples provide three scenarios for how administrative and support costs can change based on projected earnings.

EXAMPLE: Projected Earnings of 100% of MRA

Stage 2 MRA = \$100,000

Projected Provider Payments = \$82,500

Projected Administrative and Support costs = $\$82,500 \times 21.2121\% = \$17,500$

Projected Earnings = $\$82,500 + \$17,500 = \$100,000$

EXAMPLE: Projected Under-Earnings

Stage 2 MRA = \$100,000

Projected Provider Payments = \$65,000

Projected Administrative and Support costs = $\$65,000 \times 21.2121\% = \$13,788$

Projected Earnings = $\$65,000 + \$13,788 = \$78,788$

EXAMPLE: Projected Over-Earning MRA

Stage 2 MRA = \$100,000

Provider Payments = \$95,000

Projected Administrative and Support costs = $\$95,000 \times 21.2121\% = \$20,152$

Projected Earnings = $\$95,000 + \$20,152 = \$115,152$

For Stage 2 or Stage 3 contracts, an augmentation would be required to pay the earnings that exceed the MRA (see “CalWORKs MRA Adjustments”). For CAPP or CFCC contracts, earnings that exceed the MRA will not be reimbursed and the contractors may benefit from additional funding opportunities such as the Voluntary Temporary Transfer of Funds or the Contingency Fund Process (see “Alternative Payment Programs – Additional Funding”).

For CFCC contracts, the maximum non-provider percentage is 42.8571 percent ($30\% / 70\% = 42.8571\%$). Below is an example to illustrate how administrative and support costs are projected throughout the year for CFCC contracts.

EXAMPLE:

CFCC MRA = \$100,000

Projected Provider Payments = \$65,000

Projected administrative and support costs = $\$65,000 \times 42.8571\% = \$27,857$

Projected Earnings = $\$65,000 + \$27,857 = \$92,857$

CALCULATING YEAR-END ADMINISTRATIVE AND SUPPORT COSTS

Stage 2, Stage 3 and CAPP Year-end calculations use the contract's administrative and support maximum percentage to determine the total allowable administrative and support costs. Allowable administrative and support costs is calculated by taking the greater of:

- a) Initial MRA x 17.5%
- b) (Provider Payments + Actual Administrative and Support Costs) x 17.5%

To determine the reimbursable amount of administrative and support, the year-end calculation compares the allowable administrative and support costs to the actual administrative and support costs. Reimbursable administrative and support costs are calculated by taking the lesser of:

- c) Allowable administrative and support costs
- d) Actual administrative and support costs

EXAMPLE: A contractor has a contract MRA of \$100,000 and spent \$65,000 in provider payments and \$13,788 in administrative and support costs. To determine the reimbursable administrative and support costs:

Allowable Administrative and Support Costs: Greater of:

- a) Initial MRA x 17.5% = \$100,000 x 17.5% = **\$17,500 (greater)**
- b) (Provider Payments + Actual Administrative and Support Costs) x 17.5%
(\$65,000 + \$13,788) x 17.5% = \$13,788

Reimbursable Administrative and Support Costs: Lesser of:

- c) Value of allowable Administrative and Support Costs calculated above = \$17,500
- d) Actual Administrative and Support Costs = **\$13,788 (lesser)**

The allowable administrative and support costs for this contract are \$17,500, but because the actual administrative and support costs are less, the reimbursable administrative and support amount is \$13,788.

EXAMPLE: A contractor has a contract MRA of \$100,000 and spent \$95,000 in provider payments and \$20,152 in administrative and support costs. To determine the reimbursable administrative and support costs:

Allowable Administrative and Support Costs: Greater of:

- a) Initial MRA x 17.5% = \$100,000 x 17.5% = \$17,500
- b) (Provider Payments + Actual Administrative and Support Costs) x 17.5%
(\$95,000 + \$20,152) x 17.5% = **\$20,152 (greater)**

Reimbursable Administrative and Support Costs: Lesser of:

- c) Value of allowable Administrative and Support Costs calculated above = \$20,152
- d) Actual Administrative and Support Costs = \$20,152

The allowable and actual administrative and support costs for this contract are both \$20,152. Therefore, this contract over earned the budgeted amount of \$17,500 for administrative and support costs. If this contract is a Stage 2 or Stage 3 contract, a contract augmentation would be necessary in order to pay these additional costs (see "CalWORKs MRA Adjustments").

EXPENDITURE-ONLY: LIMITS of REIMBURSEMENT

Some child development contracts do not have service requirements and are considered “expenditure-only” contracts because reimbursement is based solely on allowable program costs. These are the Resource and Referral Program (CRRP), Migrant Special Services (CMSS), and Child Development support contracts (see “Support Contracts”).

CONTRACT REIMBURSEMENT

Reimbursement for expenditure-only contracts is limited to the lesser of the following:

1. The contract Maximum Reimbursable Amount (MRA); or
2. The net reimbursable program costs.

NOTE: Apportionment payments for CRRP and CMSS contract types are calculated based on projections using data reported by the agency. However, apportionment payments for support contracts after the initial apportionment advance are based on actual reported expenses and not on projections.

FLEX FACTORS

There are two areas of a program's operation in which the *Education Code* and *California Code of Regulations (CCR)*, *Title 5*, allow a certain amount of flexibility to enable the program to earn the entire contract amount. These two areas are the attendance percentage of certified children and the contract Minimum Days of Operation (MDO). The percentages of flexibility allowed for these two areas are each included as "flex factors" in the calculations that determine a contract's fiscal year reimbursable earnings, but the percentages are applied differently.

FLEX for ATTENDANCE PERCENTAGE

One of the limits of reimbursement for center-based service contracts is certified service earnings. This is calculated by multiplying the adjusted certified enrollment by the contract rate. The certified service earnings are then adjusted based on the attendance percentage. Contracts are allowed a five percent flex factor for attendance; service earnings are multiplied by "the actual percentage of attendance plus five percent (5 percent), but in no case to exceed one hundred percent (100 percent) of enrollment" (*CCR*, *Title 5*, Section 18054) to determine adjusted contract earnings. This five percent flex factor is applied as an allowance and five percent is added to the actual percentage of attendance. Service earnings will be adjusted for attendance if the attendance percentage for a program is less than 95%.

EXAMPLE: A program with 96 percent attendance will be calculated at 100 percent of actual service earnings; a program with 94 percent attendance will be calculated at only 99 percent of actual service earnings, or a 1 percent reduction due to low attendance.

FLEX for MINIMUM DAYS OF OPERATION

The MDO is a contract term and a program that fails to operate the minimum days during the contract period is in violation of the contract and faces a reduction in the contract Maximum Reimbursable Amount (MRA). However, the MRA will be reduced only if the program *"fails to operate at least ninety-eight percent (98 percent) of the minimum days of operation required in its contract, ceases operation, or the contract is terminated prior to the end of the contract period"* (*CCR Title 5*, Section 18055). This allows a two percent flex factor for agencies that do operate at least 98 percent of their contract MDO.

EXAMPLE: A contract with a MDO of 250 could operate 245 days, or 98 percent of its MDO, without having its MRA reduced due to low days of operation.

This two percent flex factor is applied as a limit: if days of operation fall below 98 percent, the contract MRA will be reduced accordingly (see "Days of Operation"). When this occurs, the reduced contract MRA is referred to as an "operational MRA", which will be displayed on a year-end Child Development and Nutrition Fiscal Services calculation worksheet provided to the agency. The calculated "operational MRA" is for the current fiscal year only, does not affect the MRA for the following year, and does not require a contract amendment.

EXAMPLE: A contract with an MRA of \$100,000 that operates only 97 percent of its MDO will have an "operational MRA" of \$97,000 (97 percent of the MRA). This, in turn, means that the agency can only earn up to \$97,000, rather than the original contract MRA of \$100,000.

APPORTIONMENT NOTIFICATIONS

Child Development and Nutrition Fiscal Services (CDNFS) provides apportionment notifications for every report submitted. For each report submitted by the agency, CDNFS will correspond with contractors regarding their upcoming apportionments by using one of the first two letters below, accompanied by the earnings calculation worksheet. The third letter will be sent to notify a contractor of an apportionment withholding.

1. PRELIMINARY REVIEW LETTER – CDNFS 3610

A Preliminary Review letter is sent when projected Fiscal Year earnings calculations indicate the contract will earn the full contract Maximum Reimbursable Amount (MRA). This letter includes a CDNFS Earnings Projection calculation worksheet that should be reviewed by the contractor for possible overspending problems, because a program can earn the full contract MRA and still have fiscal problems that need to be addressed.

2. APPORTIONMENT ADJUSTMENT LETTER – CDNFS 3600

An Apportionment Adjustment Letter is sent when an apportionment is reduced from the normal amount according to the Apportionment Schedule because the contract is not projected to fully earn the MRA, based on the most recently reported data. The Apportionment Adjustment Letter includes a CDNFS Earnings Projection calculation worksheet showing the reduced monthly payment amount. An adjustment letter does not change the contract MRA. Projected earnings are recalculated with subsequent reports and payments will be adjusted accordingly. If projected earnings increase to 100 percent of the MRA, the contractor will be advanced funds according to the Apportionment Schedule.

NOTE: An Apportionment Adjustment Letter is also a warning to the contractor that there may be a fiscal or enrollment problem. Contractors should especially compare projected service earnings to projected costs as higher costs may indicate the contractor is overspending or is under-enrolled in the certified portion of the program.

3. APPORTIONMENT WITHHOLD LETTER – CDNFS 3605

An Apportionment Withhold Letter is sent when an apportionment is entirely withheld because of the contractor's failure to comply with a contract requirement (e.g., delinquent report, delinquent audit, outstanding accounts receivable, etc.), per *California Code of Regulations, Title 5, Section 18056*. This notice does not change the contract MRA. Advance apportionments will resume once the contractor is in compliance with contract requirements.

CALCULATING YEAR-END EARNINGS

The following section refers to the year-end earnings calculation worksheet sent to contractors from the California Department of Education (CDE). This earnings calculation worksheet is based on the June Year-End Child Development and Nutrition Fiscal Services (CDNFS) report. This calculation worksheet states the year-end contract earnings and appropriate apportionment payment. Contractors should refer to the year-end calculation worksheet for the following information.

The CDNFS calculation sheet is computer generated, but contractors can create their own final calculation worksheet by using the calculations displayed on each line to determine their contract's reimbursement. Year-end reports are calculated at the end of the fiscal year to determine a contract's total reimbursement. The year-end calculation may result in no additional payments due to the contractor, a calculated billing due to over-advanced contract funds, or an additional payment. Calculations are based on information from the year-end Attendance and Fiscal Report; the Reserve Account Activity Report (for contractors having a Reserve Account); the contract terms; and the amount of contract funds that have been apportioned.

For Local Educational Agencies, year-end report data will be used to close the contract, pending any report revisions. For all other contractors, contract closure will be based on a review of the contractor's annual audit by the Audits and Investigations Division (see "Revised Reports").

RESERVE ACCOUNT CALCULATION

This calculation sheet does not provide the formula for line 24c (Transfer to Child Development Reserve account). The calculation varies with different types of contracts (see "Reserve Account Basics").

BILLINGS

Year-end calculation and contract closure may result in a billing due to an overpayment of contract funds. These unearned contract funds should be available in the contractor's bank account. However, if the contractor has spent these funds incorrectly, the contractor is responsible for replacing state funds with its own non-state funds. Billings that are delinquent shall result in CDE contract funds being withheld.

Please do not return unearned funds until you receive an invoice from the CDE Accounting Office, as all payments must reference a CDE invoice number.

NOTE: If the year-end calculation results in a billing, the contractor will receive a Preliminary Billing Notification along with the calculation worksheet. This is not an invoice, but is considered a notice to the contractor of a potential future billing. The contractor should review the previously submitted report data for accuracy. Contractors have until the revised report deadline to resubmit revised year-end report data. The revised report may alter the billing amount (see "Revised Reports") or calculate an additional payment. If an audit is required for the contractor, this preliminary billing may also be adjusted by the data submitted with the annual audit report.

CLOSURE NOTIFICATIONS

The following notices are mailed at the conclusion of the contract period to inform contractors of actions taken to close child development contracts.

PRELIMINARY BILLING ADVICE – CDNFS 3700

This is a warning that, according to fiscal year-end earnings calculations based on the year-end Attendance and Fiscal Report, reimbursement determination indicates that contract funds have been overpaid. Local Educational Agency (LEA) contractors will receive an invoice for the amount on the Preliminary Billing Advice, unless a revised year-end report changes the reimbursement calculations. Private contractors will receive an invoice after closure of their audit by the Audits and Investigations (A&I) Division confirming the amount to be billed.

California Work Opportunity and Responsibility to Kids (CalWORKs) contractors can submit revisions to their Stage 2 and Stage 3 contract through September 30th. Once September 30th has passed, any Stage 2 or Stage 3 contract with a calculated overpayment will be billed immediately for the amount on the Preliminary Billing Advice, in accordance with the Budget Act. Possible adjustments may be made after receipt of a revised report or review of the audit (see “CalWORKs Reimbursements and Billings”).

INVOICE for AMOUNT DUE to CDE

An invoice from the California Department of Education (CDE) Accounting Office will be sent for an amount due to the CDE. Contractors should wait until they receive the invoice before returning any funds because all payments must reference a CDE invoice number. Unearned contract funds should be available and unused in the contractor’s bank account. If a contractor has incorrectly spent unearned funds, the contractor is responsible for replacing state funds with its own non-state funds. Invoices more than 90 days delinquent (120 days from the issue date) shall result in current contract funds being withheld (*California Code of Regulations, Title 5, Section 18056*).

LEA ACCOUNT CLOSURE NOTICE – CDNFS 3704

Contract closure for an LEA is based on the June year-end earnings calculation. LEAs will receive an Account Closure Notice, which includes a year-end earnings calculation worksheet, informing the LEA that reimbursement is due to the contractor or that unearned funds are due to the CDE, and that the contract is closed.

NOTE: An LEA contract closure may be revised if an exception is found during a review of their audit. LEAs have until their revised report deadline to submit any corrections to the previously submitted report data, which may result in a revision to the contract closure for that contractor (see, “Revised Reports”).

PRIVATE (Non-LEA) CLOSURE – AUDIT REVIEW LETTER – CDNFS 3705

Private contractors may also receive an Account Closure Notice based on a June year-end report, but this will be preliminary information because contract closure is based on a review of the contractor’s audit by A&I. When the contractor’s audit has been reviewed by A&I, private contractors will receive an Audit Review letter, CDNFS 3705, with a year-end earnings calculation worksheet indicating the final reimbursement amount. The CDNFS 3705 notifies the contractor that there is an amount due the CDE (for which an invoice will be sent), or that

there will be an additional payment from CDE, or that the contract is closed.

RESERVE ACCOUNT STATUS REPORT – CDNFS 9530

A Reserve Account Status Report indicates the amount of CDE contract funds held by the contractor to be deposited into the contractor's Reserve Account after closure of all contracts that may contribute to the account (see "Reserve Account Basics"). Contractors with more than one Reserve Account (for different program types) will receive a status report for each Reserve Account type. If the Reserve Account ending balance exceeds the maximum limit, the status report will indicate an "Excess reserve to be billed" and the contractor will receive an invoice from the Accounting Office.

NOTE: Contractors receive a Reserve Account Status Report after calculations of their June year-end Attendance and Fiscal Reports and Reserve Account Activity Report, but the first status report is a preliminary report pending contract closure. Fiscal year-end Reserve Account calculations will not be made until all contracts are closed, which is after the deadline for revised reports for LEA contractors or after review of the audit for private contractors. When contracts are closed, LEA contractors will be sent a status report with year-end balances based on revised report data (the preliminary status report will serve as the year-end report for LEA contractors who do not revise June data), and private contractors will be sent a status report with year-end balances based on their audit.

Each Reserve Account Status Report (CDNFS 9530) will have a cover letter, either a Reserve Fund Status Letter (CDNFS 9530SL) or an audited Reserve Fund Status Letter (CDNFS 9530ASL) if based on audited data.

CalWORKs REIMBURSEMENTS and BILLINGS

California Work Opportunity and Responsibility to Kids (CalWORKs) contracts adhere to the same reimbursement procedures as other Alternative Payment contracts, with the exception of billings based on June year-end reports. Fiscal year-end earnings are calculated by Child Development and Nutrition Fiscal Services (CDNFS) based on June year-end Fiscal Report data and could result in a reimbursement or a billing for unearned funds.

CalWORKs June year-end reports must be submitted no later than July 20. CalWORKs contractors are allowed to submit revised year-end reports until September 30. The California Department of Education (CDE) is required by the Budget Act to bill CalWORKs contractors, both Local Educational Agencies (LEA) and private contractors, for unearned CalWORKs funds based on the year-end earnings calculations prior to audit completion. Contractors will receive a Preliminary Billing Advice from CDNFS prior to receiving an invoice from the CDE Accounting Office. Contractors must wait until they receive the actual invoice before making payment. Although a revised report may result in a revised invoice balance due, the original invoice date remains in effect. Therefore, it is imperative that CalWORKs contractors pay these invoices as promptly as possible to avoid having the outstanding billing become delinquent and future apportionments withheld.

NOTE: Any invoice more than 90 days delinquent (unpaid more than 120 days after the *issue date*) shall result in the withholding of all payments to a contractor regardless of contract type (*California Code of Regulations, Title 5, Section 18056*).

(See “Revised Reports”).

Contract closure for an LEA is based on the June year-end report earnings calculation. Contract closure for a private contractor is based on a review of the contractor’s audit by the Audit and Investigations Division. If the result of the audit review differs from the result of the June year-end report earnings calculation, an additional reimbursement or billing will be sent.

(See “Alternative Payment Programs: Limits of Reimbursement”).

ADDITIONAL FUNDING OPPORTUNITIES

CSPP/CCTR TRANSFER PERIODS FOR NON-LEAs

During the year, a contractor may find its projected services or needs have changed, requiring a transfer of funds between their General Child Care (CCTR) and California State Preschool (CSPP) contracts. *Education Code* Section 8236.2 requires that the California Department of Education (CDE) arrange intra-agency adjustments between CSPP and CCTR contracts for the same agency and funding allocation, in an effort to promote the full utilization of child care and development funds. Transfers between CCTR and CSPP contracts are only available to non-Local Education Agencies (LEAs), as non-LEA agreements are fully funded by general state funds (i.e. not funded by Proposition-98 funding). LEAs may not transfer between CCTR and CSPP contracts because Proposition-98 funding – the sole fund source of LEA CSPP programs – cannot be utilized for CCTR services.

Non-LEA contractors will have two opportunities to request a transfer of funds and amend their CCTR and CSPP contracts: (1) January 1–15 and (2) May 1–15 of the same contract year. Standardized transfer request letters can be found on the CDE website at <http://www.cde.ca.gov/fg/aa/cd/>. CSPP/CCTR transfer requests are to be submitted to the contractor's Child Development and Nutrition Fiscal Services (CDNFS) Fiscal Analyst at:

California Department of Education
Child Development and Nutrition Fiscal Services
1430 N Street, Suite 2213
Sacramento, CA 95814

An original signature is required for all transfer requests; however, an unsigned advance copy of the request may be submitted electronically to the contractor's CDNFS Fiscal Analyst.

If a significant portion of the contract Maximum Reimbursable Amount is being requested to transfer, the Early Learning and Care Division (ELCD) may require a Program Narrative Change form. Your fiscal analyst may still consult with your ELCD consultant to determine if a Program Narrative Change form is required. The Program Narrative Change form should describe any changes to the number of sites operated by the contractor, any changes to the age groupings of children served by the contractor, and/or any significant changes in the provision of full-day versus part-day services. The Program Narrative Change form (EESD-3704A) can be found on the CDE website at <http://www.cde.ca.gov/sp/cd/ci/cddforms.asp>. For further information or instructions on completing this form, please contact your ELCD Field Services Consultant.

VOLUNTARY/TEMPORARY TRANSFER OF FUNDS

Education Code Section 8275.5 allows for a voluntary and temporary transfer (VTT) of funds between over-earning contractors and under-earning contractors with similar contract types (i.e., General Child Care (CCTR) to CCTR) in order to fully utilize child care and development funding. Contractors will self-identify as an over- or under-earner and submit a transfer request that includes an amount of contract funding they expect to be able to temporarily release or accept. Local Planning Council (LPC) designees or a LPC subcommittee group facilitate the transfer of funds between contractors and submitting requests to the California Department of Education (CDE). Contract types that are eligible to participate in VTTs are as follows: CCTR, California State Preschool (CSPP), Migrant (CMIG), Migrant Alternative Payment (CMAP), Family Child Care Home (CFCC), Severely Handicapped (CHAN), and Alternative Payment (CAPP).

REQUIREMENTS

Participating contractors must be in good standing: in full compliance with Funding Terms and Conditions, fiscal reporting requirements, regulatory requirements, and statutory requirements. A temporary transfer of contract funds does not exempt contractors from the Child Development and Nutrition Fiscal Services (CDNFS) annual contract review process. Contractors requesting additional funding on a temporary basis must demonstrate the ability to over-earn their existing contract amount within their existing licensed capacity. They must be immediately ready to serve additional child days of enrollment or be already over-earning their contract Maximum Reimbursement Amount (MRA). In addition, over-earning contractors must also demonstrate they will have reimbursable costs in excess of their current MRA. The amount of funding eligible to transfer to an over-earning contractor is limited to the lesser of the contractor's service earnings or reimbursable costs. Funds accepted by the over-earning contractor cannot be transferred into the Reserve Account; a transfer request that would cause this to occur will be either partially or fully denied.

APPLICATION PROCESS

Once the participating agencies have self-identified, the LPC designee or LPC subcommittee group will collect signed letters of request from the authorized agency representatives indicating their willingness to temporarily release and transfer contract funds or accept transferred contract funds. The LPC designee or LPC subcommittee group will attach a cover letter that requests review of the submitted documents and will forward the completed package (all three letters and copies of contract face sheets) to their CDNFS fiscal analyst for consideration.

VTT requests may be submitted between November 1 and November 15 or between May 1 and May 15 of the same contract year. VTT letters are located on the CDE website at <http://www.cde.ca.gov/sp/cd/re/lpc.asp> under Voluntary, Temporary Transfer Requests. VTT requests are to be submitted to:

California Department of Education
Child Development and Nutrition Fiscal Services
1430 N Street, Suite 2213
Sacramento, CA 95814

An original signature is required for VTT requests; however, an unsigned advance copy of the request may be submitted electronically to the contractor's CDNFS fiscal analyst.

APPROVAL PROCESS

After the request to transfer funds has been received by CDNFS, all documentation will be reviewed to verify the completeness of the request. CDNFS will evaluate the request to determine whether the amount of the transfer corresponds with the contracts' projected service earnings and reimbursable costs for all agencies involved in the transfer. The decision to approve or deny voluntary and temporary transfers of contract funds will be made exclusively by CDE; all parties will be notified of the outcome.

CONTRACT AMENDMENTS

It is critical that contractors who agree to temporarily release contract funds sign and return contract amendments as soon as possible. CDE cannot amend contracts for the agency temporarily receiving additional funds until the under-earning contractor signs and returns their contract amendment to release the funds.

For additional information, contractors should consult their CDNFS fiscal analyst to determine if their contract is eligible to give or receive funds.

ALTERNATIVE PAYMENT PROGRAMS – ADDITIONAL FUNDING

Alternative Payments (AP) contractors (excluding California Work Opportunity and Responsibility to Kids Stage 2 and Stage 3) that provide reimbursable services beyond their contract MRA may apply for additional California Department of Education (CDE) funds (i.e., Contingency Funds) per *Education Code* Section 8222.1. These contingency funds are used to cover the actual and allowable costs for additional services. AP contingency funds are intended to aid contractors with unforeseen over-enrollment situations.

APPLICATION for AP CONTINGENCY FUNDS

AP contractors may apply for reimbursement of up to three percent of their contract amount, or for a greater amount, subject to the discretion of the CDE, based on the availability of funds. Applications may be submitted as early as May 1, but no later than September 30. The CDE will approve or deny applications submitted, but will not consider applications received after September 30 of the current calendar year for additional costs incurred during the previous fiscal year.

The CDE will distribute reimbursement funds for each approved application within 90 days of receipt of the application if it was submitted between May 1 and July 20, inclusive, of the current calendar year. Applications received after July 20 are not subject to the 90-day requirement for the distribution of funds. If requests for reimbursement exceed available funds, the CDE will assign priority for reimbursement according to the order in which it receives the applications.

Funds received by an AP contractor that are not substantiated by the program's annual audit must be returned to the CDE.

The Application for Contingency Funds (form CDNFS 1571) will be available on the Internet during the application period at: <https://www.cde.ca.gov/fq/aa/cd/alternativepmt.asp>. Please note, this form cannot be submitted electronically, and must be received by the CDE no later than September 30.

The CDE will verify the amount of additional services provided and costs incurred while taking into account the limits stated above. The verification of costs incurred may also take into account the availability of state funds held in the contractor's Reserve Account that could be used to cover the additional costs.

VOLUNTARY TEMPORARY TRANSFER OF FUNDS

AP contractors who have a CAPP, CMAP, or CFCC contract are eligible to participate in the Voluntary Temporary Transfer of Funds process (see "Voluntary/Temporary Transfer of Funds").

MULTI-YEAR CONTRACTING FOR ALTERNATIVE PAYMENT CONTRACTS

Assembly Bill (AB) 1106 amended *Education Code* Section 8220.1 to extend the time period for California Alternative Payment Program (CAPP) contractors to expend funds. Specifically, *EC* Section 8220.1 allows contractors to expend funds for no more than 24 months. The California Department of Education accomplishes this by reviewing all CAPP contracts and authorizes contract amendments for all under earning contracts, extending the contract period from one fiscal year to two fiscal years.

Extension of a CAPP contract results in two active CAPP contracts: a prior year contract with a two-year contract period and a current year contract. For Fiscal Year (FY) 2019–20, an under earning CAPP contractor may have a FY 2018–19 contract that has been extended through June 30, 2020, known as CAPP8, and a single year FY 2019–20 CAPP, contract known as CAPP9.

Contractors that fully earned their CAPP8 contract in FY 2018–19 will only have one active contract in FY 2019–20, the CAPP9 contract.

REPORTING REQUIREMENTS FOR MULTI-YEAR CAPP CONTRACTS

Contractors with a multi-year CAPP8 contract will continue to submit reports using the online reporting webpage. CAPP contractors that received an amendment to extend the contract period now have the ability to report additional expenses to the CAPP8 contract in FY 2019–20. Contractors must fully expend and report to the CAPP8 contract before they begin to report to the CAPP9 contract. Contractors are responsible for ensuring that expenditures are reported correctly, and not reported to both active contracts.

Once the CAPP8 contract is fully earned, contractors may begin reporting to the CAPP9 contract. In most cases, this will require contractors to split the expenditures for a given month between their two active contracts. To ensure that contractors are only reporting the amount of expenditures necessary to fully earn the CAPP8 contract, a reporting tool has been developed that will assist contractors with how to allocate expenditures between the CAPP8 and CAPP9 contracts. Contractors with a multi-year contract will receive this reporting tool from their fiscal analyst, but may request it at any time. The reporting tool should be utilized each month until the CAPP8 contract has been fully earned. Once the CAPP8 contract has been fully earned, the reporting tool will indicate that a portion of the expenditures should be reported to the CAPP9 contract.

NOTE:

- Contractors with a multi-year CAPP contract must continue to submit the required reports until the end of the contract period.
- Funding Terms and Conditions require all contractors on provisional and conditional status to report monthly, and all contractors on clear status to report quarterly.
- Days of Operation for FY 2019–20 should only be reported to the CAPP9 contract, and no additional Days of Operation should be reported to the CAPP8 contract beyond what was reported through June 30, 2019.

PAYMENTS TO A MULTI-YEAR CAPP CONTRACT

Expenses reported in the second year of the CAPP8 contract are reimbursement-based, meaning the apportionments associated with the CAPP8 will not be based on a projection through the end of FY 2019–20. In order to ensure timely reimbursement of the extended CAPP8 contract, contractors are encouraged to report monthly.

REVISED JUNE YEAR-END REPORTS

Contractors that have June Year-End revisions to a multi-year CAPP8 contract must be aware of how it will affect the reporting to the contract in FY 2019–20. A revision to a June Year-End report may cause revisions to subsequent CAPP8 and CAPP9 reports in the current year as the prior period will not reflect the revised FY 2018–19 figures.

CalWORKs MRA ADJUSTMENTS

The annual Budget Act requires the California Department of Education (CDE) to adjust California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 2 and Stage 3 contract amounts during the course of the contract period *“to ensure funds are distributed proportional to need.”* Child Development and Nutrition Fiscal Services (CDNFS) accomplishes this by reviewing reported fiscal and caseload data periodically during the contract period to determine projected earnings. This review may result in either an augmentation or a reduction to the contract Maximum Reimbursable Amount (MRA).

The process in which CDNFS augments or reduces a contract is outlined below. Because these reviews or adjustments are ongoing, it is possible for a contract to be reduced at one time and augmented at another because of a subsequent change in caseload data, fiscal data, or available funding.

Contract amendments will be sent to contractors for all CalWORKs MRA adjustments. As with any contract amendment, two copies must be signed and returned to the Contracts Office as soon as possible so that the amendment can be executed (see “Amendments”).

AUGMENTATIONS

If a contractor is projected to over-earn their CalWORKs Stage 2 and/or Stage 3 contract, contractors may contact their fiscal analyst to request an augmentation. Contractors will be required to submit supporting documentation such as their own internal projections to support their request. CDNFS will review the contractor’s internal projections, fiscal and caseload projections, and historical trends to determine the contractor’s need for additional funds. If CDNFS determines that an augmentation is necessary, an augmentation will be processed provided there is available funding. Contractors will receive notification from CDNFS of the augmentation amount, followed by a contract amendment from the Contracts Office. Until the amendment is fully executed, payments will be made based on the current MRA.

REDUCTIONS

If the estimated projected earnings indicates an amount less than the contract MRA, “the CDE may immediately reduce the contract” (see Funding Terms and Conditions). Contractors will receive notification from CDNFS of any proposed reduction.

NOTE: Because of the need to redirect funds as quickly as possible, CDNFS will calculate payments using the reduced MRA as soon as the contract amendment is initiated. Contractors will also receive a contract amendment from the Contracts Office.

CONTRACTOR INTERNAL CalWORKs PROJECTIONS

Throughout the year, CalWORKs contractors should monitor their earnings by performing their own monthly caseload and fiscal projections of their Stage 2 and Stage 3 contracts. CDNFS may request that contractors submit their internal projections as supporting documentation for processes such as contract amendments. In order for contractors to ensure the accuracy of these projections as they relate to these programs, the following components must be included for each month of the fiscal year: caseload counts, average cost of care, caseload cost (provider payments), administrative and support costs, and parent fees. Contractors should utilize actual data from months that have already occurred and estimated data to predict caseload costs in future months. The actual data used for previous months should match the data that has been reported to CDE, or at least be very close. If it does not, then contractors should determine whether adjustments need to be made to previously reported data, or to their internal projections. Taking these components into account by month allows contractors to determine a total expenditures amount for each month of the fiscal year and an estimate of fiscal year earnings.

CDNFS requests that internal figures be submitted via an Excel document with formulas and calculations intact. This allows CDNFS to be sure that the necessary data is being taken into account, and will help to clearly outline projection methodologies for review and analysis.

RESERVE ACCOUNTS

RESERVE ACCOUNT BASICS

Contractors who earn but do not spend all of their contract funds are allowed to maintain a Reserve Account from “earned but unexpended” funds (*Education Code (EC)* Section 8450). Reserve Account funds are not contract reimbursement and do not belong to the contractor. Reserve Account funds are state funds that the contractor holds in reserve as deferred revenue until they are either properly spent or returned to the California Department of Education (CDE). Contractors are not entitled to a Reserve Account but are “encouraged to develop and maintain” one following specific requirements. A reserve account is a supplemental source of state dollars available when reimbursable costs exceed contract reimbursement.

TYPES OF RESERVE ACCOUNTS

The following are the current CDE child development reserve accounts and their associated contracts:

Center-Based (CB) Reserve Accounts can include:

- General Child Care (CCTR)
- California State Preschool (CSPP)
- Migrant (CMIG)
- Severely Handicapped (CHAN)

Resource and Referral (R&R) Reserve Accounts include:

- Resource and Referral (CRRP)

Alternative Payment (AP) Reserve Accounts can include:

- CalWORKs Stage 2 (C2AP)
- CalWORKs Stage 3 (C3AP)
- Alternative Payment (CAPP)
- Family Child Care Home (CFCC)

ESTABLISHING A RESERVE ACCOUNT

To establish a Reserve Account, a contractor must submit a letter of intent (form CDNFS 9530-LTR) to Child Development and Nutrition Fiscal Services (CDNFS) by July 20 following the close of the fiscal year. Once established, the Reserve Account must be maintained until closed by either the contractor or the CDE or until termination of the contractor’s child development contract(s). Since there are three Reserve Account types (CB, AP, and R&R), a contractor could have three Reserve Accounts. Each account must be maintained separately due to different maximum limits and use requirements. A contractor with multiple contracts will have all contracts of the same type contribute to the same Reserve Account. Expenditures from a Reserve Account are reported as restricted income for child development programs but may be utilized by any of the contracts that are eligible to contribute to that particular Reserve Account (see “Reserve Account Usage”).

EXAMPLE: A contractor has two center-based contracts, a CCTR and a CSPP contract, and has established a CB Reserve Account. The contractor is able to reserve some of its CCTR contract funds. Once deposited in the Reserve Account, the funds lose their contract identity. CB Reserve Account funds may be transferred the following year as restricted income to either the CCTR or the CSPP program.

RESERVE ACCOUNT USAGE

General information regarding the use of Reserve Account funds:

- Reserve Account funds can be used only for reimbursable program expenses that exceed contract reimbursement (i.e., total reimbursable expenses reported must be greater than reimbursable contract earnings).
- Reserve Account funds cannot be used in the same fiscal year in which they are earned. At the time of contract closure, a Reserve Account Status Report will indicate the amount of contract funds to be deposited in the Reserve Account for use in a subsequent year.
- Reserve Account funds can be transferred only to the same type of contract as the account, either CB, AP, or R&R.

RESERVE ACCOUNT REQUIREMENTS

EC Section 8450 imposes the following requirements:

- The Reserve Account amounts must be kept in an interest-bearing account within the contractor's Child Development Fund.
- *California Code of Regulations, Title 5, Section 18064* specifies that all contractors shall establish a fund to be known as the "Child Development Fund." For school districts and county superintendent of schools, the fund is established in the county treasury. For private contractors, the fund is established in a federally insured banking institution located in California.
- Reserve Account amounts may be spent only on reasonable and necessary costs of child development programs that are funded under contract with the CDE.
- Interest earned on reserve funds shall be included in the fund balance.
- Expenditures, income, and balances of the Reserve Account shall be included in the agency's annual financial statements and audit.
- Balances in excess of the maximum limits, which are specific to each type of reserve account, shall be returned to the CDE.
- Upon closure of the Reserve Account, or termination of child development contracts, all moneys in a contractor's reserve fund shall be returned to the CDE.

NOTE: Reserve Account funds are not required to be kept in a separate bank account. However, it is recommended that you keep your apportionment payments and reserve account funds in separate accounts at your bank due to reporting requirements when submitting the June year-end report.

DEPOSITS to a RESERVE ACCOUNT

When contracts are closed, the year-end Reserve Account Status Report will indicate the amount of CDE contract funds to be deposited in the Reserve Account (indicated in Section IV - Transfer to Reserve on the "Reserve Account Status Report"). A year-end payment for a contract may consist of both an amount that is reimbursement for expenses and an amount to be deposited in the reserve, and if contract funds have been advanced they should be available in the contractor's bank account. If a contractor has already spent advanced contract funds incorrectly, **the contractor is responsible for replacing state funds** with its own non-state funds for deposit in the Reserve Account. The CDE recommends that contractors wait until after contracts are closed before posting year-end amounts to their Reserve Account. Because contracts are not closed until months after the contract period ends, unspent state funds held

by the contractor may earn interest before being posted to the Reserve Account. Any interest earned associated with state funds to be deposited in the Reserve Account should also be posted to the Reserve Account.

RESERVE ACCOUNT BALANCE

The annual “Reserve Account Status Report” (form CDNFS 9530) supplied by CDE is the official statement showing the correct balance of state funds in the Reserve Account at the end of the fiscal year. If that amount is *not* in the account, either the funds are in the incorrect account and simply need to be transferred to the Reserve Account or the funds have been spent incorrectly, in which case **the contractor is responsible for replacing Reserve Account funds** with its own non-state funds (see “Reserve Account Status Report”).

RESERVE ACCOUNT BILLINGS

The Reserve Account Status Report may also indicate an “Excess reserve to be billed” for a balance that exceeds the Reserve Account limit. The contractor will receive an invoice from the CDE Accounting Office for the recovery of those state funds. When a Reserve Account is closed, the Accounting Office will send an invoice for the total balance of the account. As with all billings from CDE, please wait until you have received the invoice before sending the amount due, as all payments must reference an invoice number.

CALCULATIONS and LIMITS

The amount of CDE contract funds that may be reserved is calculated and authorized by the CDE. CDNFS calculates these amounts at the end of the contract period. Upon receipt of the year-end Attendance and Fiscal Report(s), Reserve Account Activity Report, and General Ledger, *preliminary* reserve amounts will be calculated by CDNFS for each contract eligible to contribute to a reserve, according to the contract’s fiscal year reimbursable earnings and the Reserve Account’s maximum limit. Contractors will be notified of these preliminary amounts by means of a “Reserve Account Status Report.” For Local Educational Agencies (LEAs), year-end report data will be used to close the contract, pending any report revisions. For non-LEAs, a year-end status report will be sent when contracts are closed after review of the contractor’s audit. If the year-end reserve balance exceeds the maximum allowable limit, the contractor will be billed for the excess (see “Reserve Account Status Report”).

Reserve Accounts for CB contracts, AP contracts, and R&R contracts are restricted by maximum limits (*EC* Section 8450). For CB, AP, or R&R Reserve Accounts with multiple contracts eligible to contribute, the contracts are assigned a priority order by CDNFS for calculating year-end reimbursement so that the Reserve Account maximum limit is not exceeded.

NOTE: Specific Reserve Account calculations and maximum limits will be covered in the following sections (see “Center-Based Reserve Accounts,” “Resource and Referral Reserve Accounts,” and “Alternative Payment Reserve Accounts”).

RESERVE ACCOUNT REPORTING

All contractors with a Reserve Account are required to submit an annual Reserve Account Activity Report (CDNFS 9530-A), even if the account has a zero balance. The Activity Report must include a General Ledger verifying the interest and balances. Expenditures from a Reserve Account (transfers to a contract) must be reported on two reports: (1) on the Reserve Account Activity Report, as an expense indicating the contract number to which the funds were transferred; and (2) on the Attendance and Fiscal Report of the contract receiving the funds, as income from the Reserve Account (the report must also include the excess reimbursable expenses that require this additional state income). Contractors required to submit an audit must also include this data in their audit.

ATTENDANCE and FISCAL REPORT

Funds transferred from a Reserve Account is restricted income and must be reported in the "Revenue" section of the receiving program's Attendance and Fiscal Report, on the "Transfer from Reserve Fund" line (see "Reserve Account Usage").

RESERVE ACCOUNT ACTIVITY REPORT

Contractors with a reserve account(s) must submit a Reserve Account Activity Report (CDNFS 9530-A), with a General Ledger for each Reserve Account, to CDNFS. This report and General Ledger is submitted annually at the same time as the year-end Attendance and Fiscal Report(s). The deadline for the activity report is July 20. If the activity report and General Ledger are not received by the July 20 deadline, it will be considered *delinquent and will result in withholding current apportionments*. These activity reports reflect the beginning reserve balance, interest revenue (income to the Reserve Account), transfers to contracts (expenditures from the Reserve Account), and the ending balance. The beginning balance must match the ending balance of the prior year's year-end Reserve Account Status Report supplied by the CDE (see "Reserve Account Basics" and "Reserve Account Status Report").

For all Contractors - Reserve Accounts within your General Ledger must be titled as follows:

- Child Development Center-Based Reserve Account – Standardized Account Code Structure (SACS) Resource Code 6130
- Child Development Resource and Referral Reserve Account - SACS Resource Code 6131
- Child Development Alternative Payment Reserve Account - SACS Resource Code 6132

NOTE: SACS Resource Codes are only required for LEA.

Activity report data must be compiled by CDNFS prior to an analysis of the year-end Attendance and Fiscal Report(s) in order to calculate year-end contract reimbursements.

AUDIT

Data from the Attendance and Fiscal Report(s) as well as data from the Reserve Account Activity Report(s) must be included in a contractor's audit.

CENTER-BASED RESERVE ACCOUNTS

Assembly Bill 1610 (Chapter 724, Statutes of 2010) amended *Education Code (EC)* Section 8450, to re-instate a five percent cap on Center-Based (CB) Reserve Accounts. The five percent cap is calculated as five percent of the total contract Maximum Reimbursable Amount(s) (MRA) contributing to the CB Reserve Account.

Senate Bill 876 (Chapter 687, Statutes of 2014) amended *EC* Section 8450 to increase the cap on CB reserve accounts for CSPP contracting agencies. CSPP contractors can retain a reserve fund balance equal to 15 percent of the sum of the MRAs of all center-based contracts contributing to the reserve. CB reserve accounts will now be broken down into two parts: the first five percent of the reserve account balance, now referred to as the "general" reserve amount, and the additional ten percent, referred to as the "professional development" reserve amount. The five percent general reserve amount will continue to be used for "reasonable and necessary costs" (*EC* Section 8450) in excess of contract reimbursement for any center-based contract administered by the contractor. Any funds held in reserve in excess of the first five percent is intended for, and will be restricted to, expenditures specifically associated with the professional development of CSPP instructional staff. All CB reserve accounts will continue to remain one account.

CALCULATIONS

Transfers into the Reserve Account are based on the year-end reports submitted to the California Department of Education (CDE). The transfer amount depends on a number of variables, including actual enrollment and cost data, which may not be finalized until the CDE closes the contractor's audit, if one is required. The transfer is calculated based on the limits of reimbursement that affect that particular contract type.

EXAMPLE: For a Center-Based contract, a transfer into the Reserve Account is the value of its reimbursable service earnings minus the reimbursable costs, limited by the contract MRA. Additionally, this transfer amount cannot cause the Reserve Account to surpass its maximum limit.

MRA: \$100,000

Service Earnings: \$95,000

Reimbursable Costs: \$90,000

Transfer Into Reserve = \$95,000 - \$90,000 = \$5,000 Transfer

(See "Center-Based Programs: Limits of Reimbursement").

CENTER-BASED RESERVE ACCOUNT USAGE

EXAMPLE: If the Reserve Account balance is at least \$10,000, then all of the following *reimbursable program expenses* can be covered:

Net reimbursable costs: \$105,000

Contract MRA: \$100,000

Service earnings: **\$ 95,000** – limit of reimbursement

The contractor has earned \$95,000 of their contract, with \$105,000 in net reimbursable costs. Therefore, the contractor can be reimbursed for their net reimbursable costs if the contractor transfers \$10,000 from their reserve.

NOTE: If net reimbursable costs are less than both the MRA and service earnings, there is no need to transfer funds from the Reserve Account, the costs will be covered by contract reimbursement; any reserve transfer would simply be re-deposited.

CENTER-BASED RESERVE FUNDS SUPPORT CERTIFIED CHILDREN

Center-Based Reserve Account funds result from services to *certified* children, and must be spent on reimbursable costs for *certified* children. Since services are equitable among certified and non-certified children, a program that includes both certified and non-certified children may need additional non-state income to cover expenses in order to use Reserve Account funds.

EXAMPLE 1: A center-based contractor wants to spend \$10,000 on building improvements to the center. However, 50 percent of the program is non-certified, so only half of those expenses can be reimbursed by state funds. The contractor may use \$5,000 of Reserve Account funds for the certified portion of the project.

EXAMPLE 2: A center-based contractor has an MRA of \$100,000 and usually operates a \$200,000 program that is 50 percent certified. But one year, the amount of certified services and expenses exceeds the minimum required to earn the MRA: enrollment is 55 percent certified and total program costs are \$225,000, but the contractor has a Reserve Account balance of \$25,000. The proration for the certified portion of the program is \$123,750 ($\$225,000 \times 0.55$), so \$23,750 of Reserve Account funds could supplement the \$100,000 contract funds, but the remaining \$101,250 expenses must be paid for with non-state income.

RESOURCE AND REFERRAL RESERVE ACCOUNTS

A Resource and Referral (R&R) Reserve Account balance may not exceed three percent of an agency's California Resource and Referral Program (CRRP) Maximum Reimbursable Amount (MRA). Funds from the R&R Reserve Account may be expended only by R&R programs that are funded under contract with the California Department of Education (*Education Code Section 8450*). Agencies can calculate their R&R Reserve Account cap for any given fiscal year by multiplying the MRA of the CRRP contract by three percent. Funds transfer to the R&R Reserve Account when CRRP Net Reimbursable Costs are less than the CRRP contract MRA in a given fiscal year. The amount transferred to the R&R Reserve Account is based on the lesser of:

- a. CRRP Contract MRA – Net Reimbursable Costs
- b. Reserve Account's available balance

Example: Based on the Year-End Earnings Calculation Sheet, an agency's Net Reimbursable Costs were \$170,000. This agency's MRA was \$180,000, and they currently have a balance of \$1,000 in their R&R Reserve Account. This agency's R&R Reserve Account Cap is \$5,400

Since Net Reimbursable Costs were less than the CRRP contract MRA, the following calculations were performed to determine the amount that was transferred into the reserve:

- a. $\$180,000 - \$170,000 = \$10,000$
- b. $\$5,400 - \$1,000 = \$4,400$

In this scenario, \$4,400 would transfer into the R&R Reserve Account based on the lesser of the calculations performed above.

ALTERNATIVE PAYMENT RESERVE ACCOUNTS

An Alternative Payment (AP) Reserve Account balance may not exceed two percent of the sum of the amounts allowed for administrative and supportive services, or \$1,000, whichever is greater.

CALCULATING THE RESERVE ACCOUNT CAP

Agencies can calculate their reserve account cap for any given fiscal year by calculating the allowable amount of administrative and supportive services for each AP contract type they operate, adding those amounts together, and multiplying the total by 2%. The allowable amount of administrative and supportive services is 17.5% of the Maximum Reimbursable Amount (MRA) for Stage 2, Stage 3, and CAPP contracts. For CFCC contracts, the allowable amount of administrative and supportive services is 30% of the MRA.

TRANSFERS TO THE AP RESERVE ACCOUNT

Funds transfer from AP contracts into the Reserve Account when:

$\text{Reimbursable Administrative and Support Allowance} \geq \text{Actual Administrative and Support}$

If the above is true, the amount is based on the lesser of:

- a. $\text{MRA} + \text{Parent Fees and Interest} - \text{Net Reimbursable Costs}$
- b. $\text{Provider Payments} + (\text{Provider Payments} \times 21.2121\%) - \text{Net Reimbursable Costs}$
- c. $(\text{Provider Payments} \times 21.2121\%) - \text{Actual Administrative and Support Costs}$
- d. $\text{Net Reimbursable Costs} \times 17.5\% - \text{Actual Administrative and Support Costs}$
- e. Reserve Account's available balance

Example: Based on the Year End Earnings Calculation Sheet, an agency's reimbursable administrative and support costs were \$39,973. This agency's MRA was \$293,292 and their net reimbursable costs were \$239,973 with \$200,000 in provider payments.

Since reimbursable administrative and support allowance = actual administrative and support, the following calculations were performed to determine the amount that was transferred into the reserve:

- a. $\$293,292 + \$190 - \$239,973 = \$53,509$
- b. $\$200,000 + (\$200,000 \times 21.2121\%) - \$239,973 = \$2,451$
- c. $(\$200,000 \times 21.2121\%) - \$39,973 = \$2,451$
- d. $(\$239,973 \times 17.5\%) - \$39,973 = \$2,022$
- e. Maximum Transfer Amount = \$3,548

In this scenario, \$2,022 would transfer into the AP Reserve Account, based on the calculation performed above.

An AP Reserve Account Calculation worksheet has been created to help contractors determine the reserve account cap and any potential transfers to reserve in a given fiscal year prior to receiving the Reserve Account Activity Report from the Child Development and Nutrition Fiscal Services (CDNFS) fiscal analyst. This worksheet is a self-help tool using data that would be reported on a CDNFS Attendance and Fiscal Report form. While the tool is intended to assist contractors in determining an amount that will be transferred to the reserve, transfers should not occur until CDNFS provides a Reserve Account Activity Report, CDNFS 9530, indicating the amount to be transferred.

The worksheet can be requested from your fiscal analyst. Included in the worksheet is an Instructions tab that provides additional directions for completing the form. If you print a worksheet for other staff, please remember to provide all sheets, including the instructions.

RESERVE ACCOUNT STATUS REPORT

After a contractor submits acceptable year-end reports to Child Development and Nutrition Fiscal Services (CDNFS), including the Reserve Account Activity Report (CDNFS 9530-A) and a general ledger, the contractor will receive a Reserve Account Status Report (CDNFS 9530) for each reserve account that they have. This report details information about the contracts that contribute to each type of reserve account that the contractor has. When reviewing the CDNFS 9530, the contractor should note the following fields to ensure that they understand the information contained in the report:

- **Report Year:** This will indicate the fiscal year of closure for all contracts listed for this Reserve Account. Non-Local Education Agencies (LEAs) should pay close attention to this field as this report could relate to a prior fiscal year after the closing of an audit.
- **Total Maximum Center-Based Reserve:** This will indicate maximum amount allowed in this reserve account. This field may also indicate “Alternative Payment” or “Resource and Referral” maximum reserves, depending on the type of reserve account. Additionally, for Center-Based reserve accounts, the CDNFS 9530 will identify the maximum “General” and “Professional Development” amounts that could be included in the reserve account (see “Center-Based Reserve Accounts,” “Resource and Referral Reserve Accounts,” and “Alternative Payment Reserve Accounts”).
- **Beginning Balance:** This indicates the ending balance from the prior report year (the Year-End report for LEAs and Audit for Non-LEAs).
- **Interest:** This line should reflect the interest revenue earned on reserve funds during the report year.
- **Transfer From Reserve:** The amount of funds being utilized from the reserve account for excess reimburse contract expenses. This amount must match the “Transfer from Reserve Account” amounts that have been recorded on each contract’s Attendance and Fiscal Report.
- **Transfer To Reserve:** This column of the CDNFS 9530 results from the year-end calculations determining contract reimbursement and unused funds available to transfer to the reserve account. It is possible that these funds may have already been apportioned to the agency or will be included in a final apportionment payment. It is important to note that these funds will not be sent separately from any other apportionment payment.
- **Ending Balance:** This is the balance of the reserve account prior to any excess billing.
- **Excess reserve to be Billed:** This is the ending balance amount that exceeds the maximum reserve amount as determined at the top of the CDNFS 9530. For example, a contract relinquishment or reduction could result in a lower maximum reserve than the contractor had in the prior fiscal year and could cause a billing of the reserve account.
- **Reserve Balance After Billing:** This field indicates the amount of reserve funds available for use during the following fiscal year.

IDENTIFYING FUNDS

REMITTANCE ADVICE

Funds are sent to a contractor by means of a check, referred to as a warrant, from the State Controller's Office (SCO). Each warrant is accompanied by a Remittance Advice slip that provides important identifying information; however, the remittance advice does not itemize payments by contract number and project cost account (PCA). For this reason, the Child Development and Nutrition Fiscal Services (CDNFS) established a web-based application, the California Provider Accounting and Reporting Information System (CPARIS), for contractors to access and view payment data.

The remittance advice attached to the contractor's warrant will contain several important pieces of information. The contractor should be sure to note the following fields:

- Vendor Name: This should match the contractor's legal business name.
- Invoice ID: This field consists of three sections. The eight digits in the center, for example "20180504," refer to the payment schedule during which the CDNFS fiscal analyst authorized this payment. This number can be used in CPARIS to identify the warrant and allows the contractor to find the itemized breakdown of this warrant by contract number and PCA.
- Amount Paid: This is the total amount of the warrant. This amount includes all funds that were authorized for all child development contracts during this specific payment schedule.
- Payment Message: This field includes the name and phone number of the contractor's CDNFS fiscal analyst.

VENDOR NAME		VENDOR ID
OZ Child Care, Inc.		0000012345
INVOICE ID	PG 10	
CD-20180504-X4310	4100000001	
AMOUNT PAID		
\$17861.00		
PAYMENT MESSAGE		
CHILD DEVELOPMENT FISCAL ANALYST: (NAME & PHONE NUMBER)		
1111 1111 1111 1111 1111 1111		

The long description for the image above can be found here: [Apportionment Warrant Long Description](#).

CPARIS WEBSITE APPLICATION

CPARIS allows contractors access to payment information, by contract type, such as: amount of payment, PCA breakdown, and the date payment is issued by the SCO. CPARIS is available on the California Department of Education (CDE) website at: <https://www.cde.ca.gov/fg/aa/cd/>.

Administrative Users:

At least one administrative user must be established through the Centralized Authentication System (CAS) in order for the contractor to add users to CPARIS. If an administrative user has not been established, the contractor must first identify and register their administrative user through CAS, where they will obtain a username and password. Once the administrative user has registered, the user will receive a confirmation email from the CAS system, which will contain their username. The registration confirmation email must be forwarded to the CDNFS fiscal analyst, in order to complete the administrative user registration in CPARIS. Administrative users can then provide the CAS website to all agency staff who wish to be added as CPARIS users. The CAS website may be accessed through the following CDE website: <https://www3.cde.ca.gov/cdeauthentication/registration.aspx?programabbr=CPF>.

When completing the CAS registration process, the user must accurately identify the association type and complete all required user information fields.

- Districts must choose their county and district name.
- Schools must choose their county, district, and school name.
- Private Agencies must fill out their organization name and address.

Please note CAS will not accept punctuation. This includes punctuation in the agency name. If an error is received when attempting to register, the user should confirm no punctuation is contained in the agency name or the username.

Adding Other CPARIS users:

An administrative user has the ability to add other users to the CPARIS system. However, all users must first register and establish a username through CAS. The exact username must be provided to the administrative user, who will then use that information to add them as a user of CPARIS. To add a new CPARIS user, the administrative user will use the Add a User section and perform the following steps:

1. Type in the CAS username and click Search. This will take you to a screen that will display the registration information of the user. Verify that the contact information, including email and phone number, is correct. The administrative user will need to click "Save" to add the new user.
2. A new screen will appear where the administrative user will identify the role of the user. There are two available roles for agency users:
 - Agency Staff, who will have read-only access to data. This is the default role; or
 - Agency Admin, who have the read-only access to data and the ability to manage users.

Note: The default role for agency users is Agency Staff. If you are adding a user you wish to designate as an administrative user, you may change their role once you have added them as a user.

Changing Role or Inactivating Users:

To change the role of a user, the administrative user will navigate to the User Management tab. On this screen, clicking on the username will take the administrative user to a screen where they may modify, the role of the user or inactivate a user of CPARIS.

Navigating CPARIS:

The home screen is accessed upon logging in to the system. The home screen will include four tabs: Home, Payments, Payments by Agreement, and User Management (for Administrative Users only). Below is a breakdown of each tab:

1. Home Tab: The home screen contains the following sections:
 - “Latest Payment Detail” which will display a breakdown of the most recent warrant by contract payment.
 - “Pending Payment Detail: which will display a breakdown of a pending payment. Note that this will appear only when there is a pending payment, meaning the payment has been authorized by the CDE but not yet issued by the SCO.
 - “News” which displays pertinent information relating to payments, a link to the fiscal analyst directory, and general announcements.
 - “Find Agreement” which is used to search payments by specific agreement number.
2. Payments Tab: The Payments tab will display all payments made to the contractor, grouped by warrant, from Fiscal Year (FY) 2016–17 through the current FY. Clicking on any of the invoice IDs listed in the Payments screen will take the user to a screen where payment breakdown of a warrant, by PCA, will be displayed. From this screen, the user may click on any of the agreement numbers to view total payments to date for that contract, along with corresponding invoice ID.
3. Payments by Agreement tab: The Payments by Agreement tab displays the total payments to date for each child development contracts the contractor has with the CDE, from FY 2016–17 through the current FY. The user may filter the display by fiscal year by using the dropdown at the screen. Clicking on an agreement from this screen will allow users to view the payment breakdown by PCA, along with corresponding invoice ID. The dropdown at the top of the screen can be used to filter the payments by agreement list by agreement start year.
4. User Management tab: The User Management tab is viewable only by agency administrative users. This tab is used to add, inactivate, or change agency users’ role.

SACS CODES

School districts and county offices of education account for revenue and expenditures by using the Standardized Account Code Structure (SACS). SACS codes are located on the face sheet of child development contracts. However, CDNFS does not use SACS codes, and SACS codes are not required on CDNFS Attendance and Fiscal Reports or Reserve Account Activity Reports.

WEB SITE INFORMATION

Contractors recording funds by SACS codes should refer to the SACS information on the CDE Web site at <http://www.cde.ca.gov/fg/ac/ac>.

SACS CODES FOR CCTR AND CSPP CONTRACTS

The state funded program cost accounts in both the CCTR and CSPP contracts are assigned the same SACS resource code, 6105. The SACS code for the federally funded portion of these contracts remains 5025.

RESERVE ACCOUNT SACS CODES

School districts and county offices of education with a Reserve Account should note that the SACS codes for Reserve Accounts are different from the SACS codes for the child development contracts from which reserved funds originate. Additionally, contractors must properly maintain Reserve Account funds in their General Ledger. Reserve Accounts within your General Ledger must be titled as follows:

Child Development Center-Based Reserve Account - SACS Resource Code 6130

Child Development Resource and Referral Reserve Account - SACS Resource Code 6131

Child Development Alternative Payment Reserve Account - SACS Resource Code 6132

GLOSSARY

CHILD DEVELOPMENT TERMS AND ACRONYMS

ACRONYM	DEFINITION
A&I	Audits and Investigations Division
AP (APP)	Alternative Payment (Alternative Payment Program)
Apportionment	Allotment of contract funds
CalWORKs	California Work Opportunity and Responsibility to Kids
CCDF	Child Care and Development Fund (federal)
CDE	California Department of Education
cde	Child days of enrollment
CDFS	Child Development Fiscal Services
CDNFS	Child Development and Nutrition Fiscal Services
Certified	Eligible to be subsidized by CDE (see subsidized)
COLA	Cost of Living Adjustment
ELCD	Early Learning and Care Division
FASD	Fiscal and Administrative Services Division
FT&C	Funding Terms and Conditions
FTE	Full-time equivalent
FY	Fiscal year
LEA	Local educational agency
MDO	Minimum Days of Operation
MRA	Maximum Reimbursable Amount
Non-certified	Non-subsidized by the contractor's CDE contract
PCA	Project Cost Account
Private	Contracting agency other than an LEA
R&R (RRP)	Resource and Referral (Resource and Referral Program)
SACS	Standardized Account Code Structure
Subsidized	Funded by a CDE child development contract (see certified)

Apportionment Warrant Long Description

The image shows an example of an apportionment warrant distributed by the California Department of Education to Child Development contractors. On the center-left side, the warrant displays Vendor Name information which is listed below a dotted line in this example the vendor name is OZ Child Care, Inc. To the right of the Vendor Name the warrant displays Vendor ID and is listed below a dotted line for the example the Vendor ID is 0000012345. Below the actual Vendor Name and Vendor ID the warrant displays Invoice ID and is listed below a dotted line for the example the Invoice ID is CD-20180504-X4310. Below the Invoice ID the warrant contains an Amount Paid section below the dotted line it contains the payment amount which for the example is \$17,861.00. Below the payment amount at the bottom of the warrant a Payment Message section is displayed with a dotted line below. Below that dotted line it displays Child Development Fiscal Analyst: for this example (Name & Phone Number) is listed. On an actual warrant distributed the respective Child Development Fiscal Analyst will be listed.