



CALIFORNIA  
DEPARTMENT OF  
EDUCATION

**TOM TORLAKSON**

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

September 1, 2016

Dear Executive Directors, Child Care and Development Programs:

### **2016–17 CHILD CARE AND DEVELOPMENT CONTRACT CHANGES**

The purpose of this letter is to inform contractors of changes to Child Care and Development contracts and reporting procedures beginning July 1, 2016. Please share this letter with your agency staff.

#### **STANDARD REIMBURSEMENT RATE INCREASE**

The Budget Act of 2016 (Senate Bill 826, Chapter 23), includes a ten percent increase to the Standard Reimbursement Rate (SRR) for General Child Care (CCTR), Migrant (CMIG), Handicapped (CHAN), and the California State Preschool (CSPP) Program. This increases the SRR for CCTR, CMIG and CHAN contracts to \$42.12. The SRR for CSPP programs has been increased to \$42.38 for full-day care, and \$26.26 for part-day care.

The Budget Act of 2016 states that this increase to the SRR is effective January 1, 2017. Because this is a mid-year increase, and a contract cannot be issued with two different rates, this increase will be implemented for fiscal year (FY) 2016-17 by blending rates. The blended contract rate will be an average of the current rate and the rate effective January 1, 2017. For CCTR, CMIG, and CHAN contracts with a rate currently at the SRR, the blended rate will be \$40.20. For CSPP contracts, the rate will be \$40.45. Reimbursement for part-day programs will be \$25.06. Contracted rate increases will be made via forthcoming Budget Act Amendments, and will be retroactive to July 1, 2016. The full 10 percent increase to the rates will be realized in original FY 2017-18 contracts.

In addition, please be aware that contractors must collect family fees from non-certified families that are equal to or greater than the child development contract rate of reimbursement to ensure that costs related to services for non-certified children do not encroach on their state subsidy. If income for services to non-certified children comes from a source other than families, it should be reported on the Attendance and Fiscal Report submitted to Child Development and Nutrition Fiscal Services as "Other" Unrestricted Income, and the source and purpose should be specified.

### **Adjustment Factor Change**

As a result of the increase to the SRR for State Preschool Programs, the adjustment factor for one-half-time children is increasing from .6195 to .6196. This change ensures a reimbursement rate for one-half-time children of \$25.07 in FY 2016-17, and a one-half-time rate of \$26.26 for FY 2017-18 as specified in the Budget Act of 2016. The new adjustment factor is reflected on the updated Attendance and Fiscal report for CSPP (CDNFS 8501).

### **REGIONAL MARKET RATE REIMBURSEMENT CEILINGS**

The Budget Act of 2016 maintains the current Regional Market Rate (RMR) ceilings through December 31, 2016. Beginning January 1, 2017, the California Department of Education (CDE) is required to implement ceilings at the greater of either the 75<sup>th</sup> percentile of the 2014 RMR Survey, or the RMR ceiling as it exists on December 31, 2016. Additionally, commencing January 1, 2017, the license-exempt child care provider ceilings will increase to 70 percent of the established Family Childcare Home (FCCH) ceiling.

To make the new ceilings available to all CDE contracted agencies in advance of implementation, the Department will prepare a special viewing link. This link is scheduled to be available by September 1, 2016. Once you log on to the Alternative Payment Child Development Fiscal Services Website at <http://www2.cde.ca.gov/cdfs/logon.aspx>, you will have access to a special link showing the new RMR ceilings.

### **REPORTING INSTRUCTIONS FOR COMMINGLED CLASSROOMS**

Due to the implementation of separate reimbursement rates for CCTR and CSPP contracts within the Budget Act of 2015 (Assembly Bill 93, Chapter 11, Statutes of 2015), there is an update to the reporting instructions for CDE contractors who elect to commingle CSPP and CCTR children in the same classroom.

Contractors will report the child days of enrollment (cdes) associated with CSPP certified children from the commingled classroom on page 1, Section I – Certified Children on the CDNFS 8501 and the cdes associated with CCTR certified children from the commingled classroom on page 1, Section I – Certified Children on the CDNFS 9500. Contractors should not report the CSPP children from the commingled classroom as non-certified on the CDNFS 9500 nor the CCTR children as non-certified on the CDNFS 8501.

Contractors will be required to allocate costs associated with the commingled classroom. This will require contractors to determine an appropriate method to allocate costs so shared costs are appropriately assigned to each contract.

The costs allocated to CSPP will be reported on page 3, Section IV – Reimbursable Expenses on the CDNFS 8501 and the costs allocated to CCTR will be reported on page 3, Section IV – Reimbursable Expenses on the CDNFS 9500.

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 report the cdes associated with the CSPP children on page 1, Section I – Certified Children on the CDNFS 8501 and the cdes associated with the non-certified children on page 2 on the CDNFS 8501. Contractors will report the cdes associated with the CCTR children on page 1, Section I – Certified Children on the CDNFS 9500, but no cdes associated with the CSPP and/or non-certified children will be reported on page 2 of the CDNFS 9500.

Contractors will also be required to allocate costs with this type of predominantly CSPP commingled classroom. The costs allocated for both the CSPP and non-certified children will be reported on page 3 of the CDNFS 8501. The costs allocated for the CCTR children will be reported on page 3, Section IV – Reimbursable Expenses on the CDNFS 9500.

For instances where a CSPP contractor does not hold a CCTR contract with the CDE, but commingles non-certified children with CSPP children in the CSPP classroom, reporting instructions remain the same. Contractors do not have the option to cost-allocate for these non-certified children. Contractors in this situation will continue to report certified cdes on page 1 and non-certified cdes on page 2 of the CDNFS 8501. These contractors will also continue to report all expenses associated with the commingled classroom on page 3, Section IV – Reimbursable Expenses on the CDNFS 8501.

For instances where a CCTR contractor does not hold a CSPP contract with the CDE, but commingles non-certified children of any age with CCTR children in the CCTR classroom, reporting instructions remain the same. Contractors do not have the option to cost-allocate for these non-certified children. Contractors in this situation will continue to report certified cdes on page 1 and non-certified cdes on page 2 of the CDNFS 9500. These contractors will also continue to report all expenses associated with the commingled classroom on page 3, Section IV – Reimbursable Expenses on the CDNFS 9500.

For instances where the CSPP contractor provides services to non-certified preschool age children, reporting instructions also remain the same. Contractors are required to

report the non-certified children on page 2, Section II – Non-Certified Children of the CDNFS 8501, as well as the expenses related to non-certified children on page 3, Section IV – Reimbursable Expenses on the CDNFS 8501.

**Daily Rates/Fees:**

For CCTR children commingled in a CSPP classroom, contractors are not required to “collect” the difference between the CCTR and CSPP rate. For example, the current SRR for CCTR is \$38.29 while the current SRR for CSPP is \$38.53. A contractor with both contracts at the respective SRRs would not be required to collect an additional 24 cents. However, other non-certified children commingled with CSPP children in the CSPP classroom must be charged a daily rate of at least the stated reimbursement rate for the CSPP contract. This means that the rates collected from non-certified families must increase for FY 2016-17 due to the SRR increase effective January 1, 2017.

**TRANSFERS BETWEEN GENERAL CHILD CARE AND STATE PRESCHOOL CONTRACTS FOR FISCAL YEARS 2016–17 AND 2017–18**

During the year, a contractor may find its projected services or needs have changed, requiring a transfer of funds between their CCTR and CSPP contracts. In FY 2016–17, contractors will have two opportunities to request a transfer of funds and amend their CCTR and CSPP contracts.

**CONTRACTORS WILL NO LONGER SUBMIT TRANSFER REQUESTS TO THE EARLY EDUCATION AND SUPPORT DIVISION (EESD). INSTEAD, TRANSFER REQUESTS ARE TO BE SUBMITTED TO CHILD DEVELOPMENT NUTRITION AND FISCAL SERVICES (CDNFS), WITH ATTENTION TO THE FISCAL ANALYST:**

California Department of Education  
Child Development Nutrition and 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 fiscal analyst assigned to your agency.

As with CSPP/CCTR transfers in previous years, Proposition 98 State Preschool funds (PCA 23038) cannot be transferred into a CCTR contract, so contractors must be aware of the funding structure in their contracts prior to submitting a transfer request. As a reminder, Local Education Agencies (LEAs) and Community College Districts (CCDs)

CSPP contracts are funded entirely by Proposition 98 funding. This change in the appropriation for State Preschool began in FY 2015-16 and remains in FY 2016-17.

If a significant portion of the contract Maximum Reimbursable Amount is being requested to transfer, EESD may still require a Program Narrative Change form. 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 (CD-3704A) can be found on the CDE Web site at <http://www.cde.ca.gov/sp/cd/ci/cddforms.asp>. For further information or instructions on completing this form, please contact your EESD Field Services Consultant.

Standardized transfer request letters can be found on the CDE Web site at <http://www.cde.ca.gov/fq/aa/cd/> (under "Reporting Forms" for the current year) for the following transfer periods.

### **January 1–15, 2017**

There are two letters for this period: one to request a transfer for the current year and one to request a transfer for FY 2017–18. These letters are distinguishable by both the title of the letter and the subject within the letter. Please note this is the only opportunity to request a transfer of funds for FY 2017–18.

### **May 1–15, 2017**

There is one letter for this period: to request a transfer of funds for the current year only. CDNFS will not accept any requests to transfer funds for FY 2017–18 during this period.

For further information or instructions on completing these letters, please see the instructions document attached to the transfer request letter or contact your assigned fiscal analyst.

## **VOLUNTARY AND TEMPORARY TRANSFER OF FUNDS**

California *Education Code (EC)* Section 8275.5 allows for a Voluntary and Temporary Transfer (VTT) of funds between over-earning contractors and under-earning contractors with like contract types (i.e. 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. Requests should be submitted to the Local

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Planning Council (LPC) designee or an LPC subcommittee group who will facilitate the transfer of funds between contractors and submitting requests to the CDE.

The first opportunity to request a VTT of funds will be between November 1 and November 15, 2016; the final opportunity will be between May 1 and May 15, 2017.

**CONTRACTORS WILL NO LONGER SUBMIT VTT REQUESTS TO THE EARLY EDUCATION AND SUPPORT DIVISION (EESD). INSTEAD, TRANSFER REQUESTS ARE TO BE SUBMITTED TO CHILD DEVELOPMENT NUTRITION AND FISCAL SERVICES (CDNFS), WITH ATTENTION TO THE FISCAL ANALYST:**

California Department of Education  
Child Development Nutrition and 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 fiscal analyst assigned to your agency.

For more information on voluntary/temporary transfers of funds, please visit the CDE Web site at <http://www.cde.ca.gov/sp/cd/re/lpc.asp>.

## **ANALYST DIRECTORY**

Please be aware that some analyst county assignments have changed. Please refer to the analyst directory at <http://www.cde.ca.gov/fg/aa/cd/faad.asp> for fiscal analyst county assignment and contact information.

If you have any questions about a specific contract or need clarification about any topic covered in this letter, please contact your assigned CDNFS analyst.

Sincerely,

Phyllis A. Savage, Staff Services Manager III  
Child Development and Nutrition Fiscal Services  
Fiscal and Administrative Services Division

PS:jc