

FY 2016-17

California Department of Education

Attendance and Fiscal Reporting

and

Reimbursement Procedures

for

Child Development Contracts

Child Development and Nutrition Fiscal Services
Fiscal and Administrative Services Division

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2016

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

As always, 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 2016–17 edition of the CDNFS “Greenbook.”

Page	Subject
15	CCTR/CSPP Transfer Periods (updated instructions for submission)
17	Head Start, Early Head Start, and Early Head Start Child Care Partnerships (expanded reporting instructions)
20	Commingled versus Co-located Programs: Fiscally Commingled (removed)
21	Commingled versus Co-located Programs (new reporting instructions)
26	Adjustment Factors (new adjustment factor for Part-day CSPP)
34	Revenue: Quality Rating and Improvement System (QRIS) (new reporting instructions)
38	Expenses: Reporting Categories (expanded reporting instructions)
42	Equipment Approval and Bidding Requirements (new reporting instructions)
52	Monitoring: Self-Help CDNFS Worksheets (updated for online accessibility)
70	Voluntary Temporary Transfer Requests (updated instructions for submission)

Please DISCARD earlier editions of this handbook; refer only to this latest edition.

INTRODUCTION

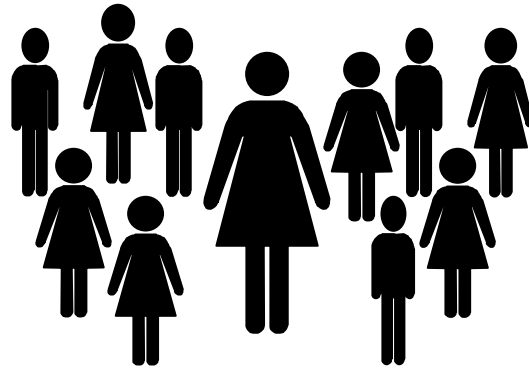
The purpose of this handbook is to aid child development contractors in their attendance and fiscal reporting and explain reimbursement procedures and the role of the Fiscal and Administrative Services Division (FASD) and its Child Development and Nutrition Fiscal Services (CDNFS) unit. Detailed contract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

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.

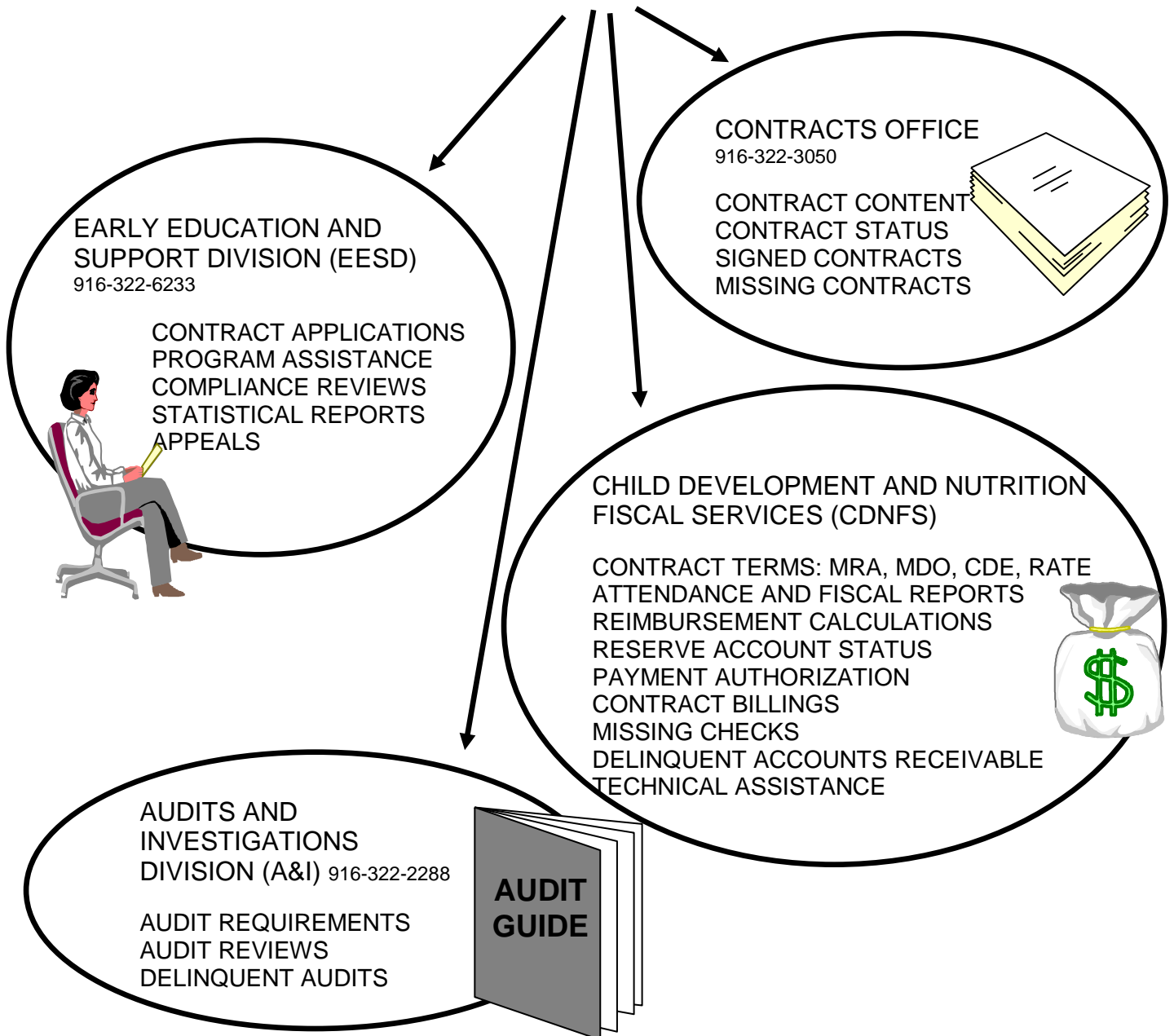
Most of the following pages assume a center-based program with a minimum service requirement; Alternative Payment (AP) contractors and Resource and Referral (R&R) contractors may find some passages inapplicable. If you have any questions, please contact your assigned CDNFS fiscal analyst. An analyst directory may be found on the California Department of Education (CDE) Website at:
<http://www.cde.ca.gov/fg/aa/cd/faad.asp>.

CalWORKs NOTE: CalWORKs are AP programs that have differences in requirements and procedures from other AP programs. Some of these unique aspects are covered in the “CalWORKs” pages. CalWORKs contractors should pay special attention to these differences, especially in the areas of reporting, Maximum Reimbursable Amount (MRA) adjustments, and reimbursement.

WHOM to CONTACT for WHAT?



CHILD CARE CONTRACTOR



CONTACT INFORMATION

FISCAL AND ADMINISTRATIVE SERVICES DIVISION CHILD DEVELOPMENT AND NUTRITION FISCAL SERVICES

The Child Development and Nutrition Fiscal Services (CDNFS) unit of Fiscal and Administrative Services Division (FASD) 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. 916 – _____

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 Education and Support 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*
- *CDE Audit Guide*

Indirect Cost Rates for LEAs:

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

The following documents are available on the California Department of Education Web site:

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

- This Child Development and Nutrition Fiscal Services (CDNFS) “Greenbook,” 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
- Application for Contingency Funds

CONTRACTOR'S RESPONSIBILITIES

A contractor assumes many responsibilities by contracting with California Department of Education (CDE) to provide a state-subsidized child development program. 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 Education and Support Division (EESD), audit procedures, appeal procedures, and so forth. Contractors should refer to the FT&C *before* contacting their EESD 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 (see "Self-Help: CDFS Worksheets"). 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 instructions). 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").

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. A remittance advice will accompany each payment and will specify the amount of funds being paid by each PCA. 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 EESD 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 EESD’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 EESD 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.

CONTRACTS

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 (July 1 through June 30), and “Contractors have no vested right to a subsequent contract” (*California Code of Regulations (CCR), 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 (CDMIS). 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.

MRA – INCREASES and DECREASES

A contract MRA may be increased or decreased for various reasons: cost-of-living adjustment (COLA), expansion funding, rate increase, CalWORKs 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

The *California 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. The rate increase process occurs annually and notices are sent to all contractors regarding the application process.

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 Education and Support Division (EESD). 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 all calendar changes to the EESD prior to June 30th so a contract amendment can be processed (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) 2016–17 would be a “6”), and the last three numbers are the contract sequence number within that program type.

EXAMPLE: Contract number CSPP6123
C = California Department of Education
SPP = State Preschool Program
6 = FY 2016–17
123 = 123rd State Preschool Program contract issued

Following are the current California Department of Education (CDE) child development programs contract designations for service contracts (*Alternative Payment-type contracts are shown in italics*):

CAPP	<i>Alternative Payment</i>
CCTR	General Child Care
CFCC	<i>Family Child Care Homes</i>
CHAN	Severely Handicapped
CMAP	<i>Migrant Alternative Payment</i>
CMIG	Migrant
CMSS	Migrant Special Services
CSPP	California State Preschool Program
CRRP	Resource and Referral
C2AP	<i>CalWORKs (Stage 2)</i>
C3AP	<i>CalWORKs (Stage 3)</i>

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 Education and Support Division (EESD), while the EESD will offer other support contracts 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

CCIP 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 reporting 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 now 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.

CALIFORNIA RENOVATION AND REPAIR LOAN (CRRL)
(Formerly CRPM Contracts)

In 2015-16, Senate Bill 858 (Chapter 32, Statute of 2014) amended the California *EC* Section 8278.3 (a)(3) to replace the Facilities Renovation and Repair (CRPM) program with the California Renovation and Repair Loan (CRRL) Program. The intent of this program is to provide loans for renovation and repair of existing facilities to ensure eligible California Department of Education contractors meet applicable health and safety standards for federal and state licensure compliance. EESD will accept applications continuously and will award funds based on the availability of funding.

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.

CALIFORNIA STATE PRESCHOOL PROGRAM

Assembly Bill 2759, Chapter 308, Statutes of 2008, created the California State Preschool Program (CSPP). This bill consolidated funding from five contracts serving three- and four-year-old children in center-based settings into one CSPP contract.

CSPP/CCTR TRANSFER PERIODS

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 CSPP/CCTR transfer requests to the Early Education and Support Division (EESD). Instead, 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.

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. Your fiscal analyst may still consult with your EESD 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 (CD_3704A) can be found on the CDE Web site at <http://www.cde.ca.gov/sp/cd/ci/cddfoms.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/fg/aa/cd/> after July 1, 2016, 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 contact your assigned fiscal analyst.

HEAD START, EARLY HEAD START, AND EARLY HEAD START CHILD CARE 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” on Page 1 of the CDNFS 8501 report form.
- Do not include the hours of enrollment funded by Head Start on Page 1 or Page 2 as non-certified.
- Report Head Start revenue as unrestricted income on Page 3 in “Section III – Revenue” (*Education Code (EC) Section 8235(g)*), if the contractor does not choose to cost allocate, and all expenses should then be reported in “Section IV – 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 as non-certified on Page 2 of the CDNFS 8501 form.
- Report Head Start income as unrestricted income on Page 3 in “Section III – Revenue, Unrestricted Income,” in the “Head Start” field of the CDNFS 8501 form.
- Report the corresponding expenses in “Section IV – 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 (NOA) and the additional hours and/or days of care can be 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 on Page 1 of the CDNFS 9500 form in the appropriate category.
- Do not include the hours of enrollment funded by Early Head Start or EHS-CCP on Page 1 or Page 2 of the CDNFS 9500.
- Report Early Head Start and EHS-CCP revenue as unrestricted income on Page 3 in “Section III – Revenue” (EC Section 8235(g)), if the contractor does not choose to cost allocate, and all expenses should then be reported in “Section IV – 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 on Page 1 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 on Page 2 of the CDNFS 9500.
- Report the Early Head Start or EHS-CCP revenue on Page 3 in “Section III – Revenue, Unrestricted Income,” in the “Head Start” field.
- Report the corresponding expenses in “Section IV – Reimbursable Expenses.”

If Early Head Start or EHS-CCP funding is used to enhance a CCTR program, rather than to provide hours or days of care, the grant funds must be reported on Page 4 of the CDNFS 9500 form in “Section V – Supplemental Revenue.” The corresponding expenses should be reported in “Section VI – Supplemental Expenses.”

REPORTING DEADLINES

All contractors must submit reports “at intervals specified in the annual child development contract” (*California Code of Regulations (CCR), Title 5, Section 18068a*). Monthly reporting is required for “Contractors on conditional or provisional status” (*CCR, Title 5, Section 18068c*), 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 (CDNFS) 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	Aug. 20	Conditional, Provisional, CalWORKs
August	Sept. 20	Conditional, Provisional, CalWORKs
SEPTEMBER	Oct. 20	ALL CONTRACTS
October	Nov. 20	Conditional, Provisional, CalWORKs
November	Dec. 20	Conditional, Provisional, CalWORKs
DECEMBER	Jan. 20	ALL CONTRACTS
January	Feb. 20	Conditional, Provisional, CalWORKs
February	March 20	Conditional, Provisional, CalWORKs
MARCH	April 20	ALL CONTRACTS
April	May 20	Conditional, Provisional, CalWORKs
May	June 20	Conditional, Provisional, CalWORKs
JUNE	July 20	ALL CONTRACTS & Reserve Account Activity Report with General Ledger

* ALL CalWORKs contracts require monthly reporting (see “CalWORKs Reporting”).

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.

ORIGINAL SIGNATURE

All reports, *except for Alternative Payment (AP) contracts*, must have an original signature. Reports unsigned, sent by fax machines, or with computer-generated or rubber stamp signatures are not acceptable and shall be deemed delinquent.

REPORT FORMS

CDNFS report forms are available on the FASD/CDNFS Web site:

<http://www.cde.ca.gov/fg/aa/cd/cdnfsforms16.asp>

Please note that the INSTRUCTIONS are on separate pages. A form generated by an agency is acceptable *only* if it has the same *format* and *information* as the CDNFS form and *has been approved by the assigned fiscal analyst*.

The following change has been made to the CDNFS 8501 for 2016-17:

There has been an increase made to the Adjustment Factor for “One-Half-Time” children from 0.6195 to 0.6196. This change affects all child categories in both the Certified and Non-Certified sections, except for the Toddlers (18 up to 36 Months) in Section II.

ONLINE REPORTING for AP CONTRACTS

Alternative Payment (AP) contractors must report electronically online. This is a two-step process of submission and certification in which the certification process substitutes an original signature. AP reports not *submitted and certified* by the due date are delinquent. For online submission, see the CDE Web site at:

<http://www2.cde.ca.gov/cdfs/logon.aspx>.

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 pages 1 through 3. Page 4 will be required if supplemental revenue is received and utilized in the program:

CDNFS 8501 *or* CDNFS 9500

- Page 1, Section I: report enrollment for certified children
- Page 2, Section II: report enrollment for non-certified children
- Page 3, Sections III and IV: report fiscal data for the entire program. All fiscal data for costs associated with non-certified children must also be reported here.
- Page 4, Sections V and VI: 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

- Page 1, Section I: report enrollment for CSPP certified children
- Page 2, Section II: no enrollment data should be reported
- Page 3, Sections III and IV: report fiscal data that is cost allocated for CSPP
- Page 4, Sections V and VI: report supplemental income and expenses

CDNFS 9500

- Page 1, Section I: report enrollment for CCTR certified children

- Page 2, Section II: no enrollment data should be reported
- Page 3, Sections III and IV: report fiscal data that is cost allocated for CCTR
- Page 4, Sections V and VI: 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

- Page 1, Section I: report enrollment for CSPP certified children
- Page 2, Section II: report enrollment data for all non-certified children (not to include CCTR certified children)
- Page 3, Sections III and IV: report fiscal data that is cost allocated for CSPP (all fiscal data for costs associated with non-certified children should also be reported here)
- Page 4, Sections V and VI: report supplemental income and expenses

CDNFS 9500

- Page 1, Section I: report enrollment for CCTR certified children
- Page 2, Section II: no enrollment data related to the commingled classroom should be reported
- Page 3, Sections III and IV: report fiscal data that is cost allocated for the CCTR program
- Page 4, Sections V and VI: 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 Education and Support Division for statistical purposes (see “Contractor’s Responsibilities”).

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 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 on page 1 of their CDNFS 9500 report form. The subcontractor will report the toddler as non-certified on page 2 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, they are calculated differently and are separated on the report form by the line for days of operation (see “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 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’s need for service changes, 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, Title 5, Section 18065).

On reports for center-based contracts, both total “Days of Attendance” and total “Days of Enrollment” will be whole numbers. 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: A contractor operating a California State Preschool (CSPP) program provides full-day/full-year services. Per the contractor’s’ approved calendar, the contractor provides services for 64 days in the first report period (July 1 through September 30). Two children are certified to attend the program and both children are in the “Three and Four Year Olds” category with full-time certification. One child had three *unexcused* absences in this period, per the contractor’s parent handbook unexcused absence policy. The total days of enrollment for these two children for this report period is 128 (64+64). The total days of attendance for these two children for this report period is 125 (64+61) because one of the children attended 64 days and the other child attended 61 days. Total days of operation to be reported is 64.

If in the example above, the first child's certification changed from full-time to full-time-plus as of September 1, and services are provided for 21 days in the month of September, that child's days of attendance will be reported as 43 in the full-time category and 21 days of attendance will be reported in the full-time-plus category.

ADJUSTMENT FACTORS – PART-DAY

Many center-based contracts allow for actual enrollment to be adjusted by part-day adjustment factors. Part-day 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 (CDE) 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.

NOTE:

- Do NOT round adjusted enrollment calculations; multiply to as many decimal points as necessary.
- Adjustment factors do NOT increase a contract's Maximum Reimbursable Amount (MRA).
- A child may be enrolled full-time on one day and half-time on another day according to the need of the family/child.
- If a child's attendance pattern changes from his enrollment, his enrollment should be updated (see "Enrollment vs. Attendance").

GENERAL PROGRAMS

General programs are divided into four part day 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 (CSPP) are divided into four part day 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)	0.6196*

*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 \$25.06 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).

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*, and modified by the *Budget Act of 2003*. Attendance and Fiscal Report forms include the categories appropriate for each program, extrapolated for part-day service. The specified criteria (*allowed age ranges*) and adjustment factors are as follows:

Infants, child day-care center:	0 to 18 months of age	1.7
Toddlers, child day-care center:	18 to 36 months of age	1.4
Infants and toddlers, Family Child Care Home:		
	0 to 36 months of age	1.4
Exceptional needs*:	0 to 21 years of age	1.2
Severely disabled*:	0 to 21 years of age	1.5
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:

- Do not round adjusted enrollment calculations; multiply to as many decimal points as necessary.
- 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.

* To be certified for “exceptional needs” or “severely disabled” enrollment, the child must have an active individualized family service plan (IFSP) for infants and toddlers under three years of age, or an active individualized educational program (IEP) 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)*.

CONTRACTS EXCLUDED from SPECIAL CRITERIA ADJUSTMENT FACTORS

Contracts with rates higher than the standard reimbursement rate (SRR) cannot use the special criteria adjustment factors because state law does not allow adjusted rates to exceed the adjusted SRR. This is specified in *EC* Section 8265.5 (b), which states:

The adjustment factors shall apply to those programs for which assigned reimbursement rates are at or below the standard reimbursement rate. In addition, the adjustment factors shall apply to those programs for which assigned reimbursement rates are above the standard reimbursement rate, but the reimbursement rate, as adjusted, shall not exceed the adjusted standard reimbursement rate.

Contractors with a rate higher than the SRR may request a permanent lowering of the contract rate to the SRR and may then utilize the special criteria adjustment factors. Contractors with a rate higher than the SRR must report on a CDNFS 8501-HR or CDNFS 9500-HR report form. Severely Handicapped programs have rates that are already adjusted for the category of children they serve; therefore, those programs do NOT use Special Criteria Adjustment Factors.

ADJUSTMENT FACTORS for AP CONTRACTS

Adjustment factors used in conjunction with the Regional Market Rate system (RMR) for Alternative Payment (AP) programs are not reported separately, but rather are included in the calculations of payments to providers. Only two special criteria adjustment factors may be used with the RMR: exceptional needs and severely disabled (*California Code of Regulations, Title 5, Section 18075.2*); and the eligibility for using these adjustment factors, and the requirement that special services must be provided from the additional reimbursements resulting from their use, apply to AP programs just as they do to center-based programs.

DAYS of OPERATION

A “Day of Operation” 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 Minimum Days of Operation (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.

IMPACT ON EARNINGS

If a contractor wishes to revise their calendar, they are required to submit a calendar revision to the Early Education and Support Division (EESD) no later than June 30th (or the end of the contract period). This revision 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 CDNFS Attendance and Fiscal Report could be affected.

Example: A contractor who has an MDO of 245 and is expected to report 58 days of operation on their first report based on the provided calendar, but instead reports that they have operated 64 days in that period. The adjustment factor that will be calculated based on their current calendar (3.828) will be lower than the adjustment factor that would have been calculated based on a revised calendar reflecting 58 days (4.224) of operation in the period. This will result in a lower calculated reimbursement and the contractor will receive fewer funds because they did not submit a revised calendar. An incorrect MDO has a direct impact on the amount of funds a contract will receive monthly.

On year-end calculations, 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 ensure calendar changes are submitted to EESD no later than June 30th.

NON-OPERATING DAYS

A non-operating day 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. Failure to operate the contracted MDO may result in a reduction of the contract MRA. However, there are three situations when a non-operating calendar day *may* have no adverse effect on the MRA or service earnings: emergency closure circumstances, budget impasse credit, and staff training days.

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 EESD. Contractors must submit a written request for an emergency closure waiver, providing the circumstances for the closure to the EESD. If approved, the EESD 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").

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 EESD 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

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. (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 2 percent “flex for minimum days of operation” (2 percent of a 250-day calendar is five days; 2 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 “Limits of Reimbursement”). To substitute for enrollment lost due to staff training days, a contractor may need to increase enrollment by enrolling more children, or enrolling children for longer periods of time on days the program is in operation (see “Self-Help: CDNFS Worksheets”).

ACCRUAL versus CASH ACCOUNTING

The Child Development and Nutrition Fiscal Services (CDNFS) 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. Monthly prorations 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 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 if the payment check is not dated until after June 30.

Accrued income should be posted as an Accounts Receivable. Received income should be posted *to the contract period to which it relates*, regardless of when it was actually received (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. Restricted income should NOT be reported as accrued but only reported when it is expended (see "Revenue" and "Revised Reports").

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 (CACFP)
 - National School Lunch Program (NSLP)
 - School Breakfast Program (SBP)
 - Special Milk Program (SMP)
 - Seamless Summer Feeding Option (SSFO)
 - Summer Food Service Program (SFSP)
- 2) County maintenance of effort
- 3) Transfers from reserve fund
- 4) Family fees for certified children
- 5) Interest earned on apportionment payments
- 6) Fundraising income

Restricted income used for reimbursable expenses is reported on the first fiscal page of the CDNFS Attendance and Fiscal report.

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:

- Family fees for non-certified children
- Head Start revenue
- Fundraising income

Unrestricted income used for reimbursable expenses is reported on the first fiscal page of the CDNFS Attendance and Fiscal report.

Preschool Exception: For State Preschool (part-day) programs only, federal Head Start funds used to provide a full day of service are identified as unrestricted and reported on the first page of the fiscal section of the report (see “Head Start, Early Head Start, and Early Head Start Child Care Partnerships”).

NOTE: 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. This funding can include both restricted and unrestricted income. Supplemental income can be used to pay for projects or benefits beyond the basic child development services for certified and non-certified children.

Examples of Supplemental Income:

- Head Start
- First 5
- QRIS
- Donations
- 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 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). 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 2 CFR 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 (as determined by income eligibility in the Early Education and Support Division (EESD) Family Fees schedule located at <http://www.cde.ca.gov/sp/cd/ci/mb1403a.asp>), 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).

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.

REPORTING NOTE: There are separate lines in the revenue section of the Child Development and Nutrition Fiscal Services (CDNFS) fiscal report forms for “Family fees for certified children” and for “Fees for Non-certified Children.” Do not confuse these fees when reporting (only Family Fees for certified children affect contract earnings).

AP NOTE: AP contractors may allow Family Fees to be collected directly by providers and be 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 and 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 (see “Co-Payments for AP Programs”).

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 FT&C). 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.

CO-PAYMENTS for AP PROGRAMS

Subsidized families participating in an Alternative Payment (AP) program have a choice of providers. Depending on their provider, families may be responsible for a co-payment. A co-payment is a payment by a subsidized family, paid directly to a child care provider that is in excess of the amount the provider receives from an AP contractor as a subsidized payment and any required Family Fee. A co-payment is a separate agreement between the family and the provider and is not reported by the AP contractor to the CDE, and also does not affect state contract reimbursement calculations.

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 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). To ensure that services for non-certified children do not encroach upon their state subsidy, contractors must collect at least their state subsidy rate for non-certified children. 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”).

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, unused 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 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.

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 (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 California Department of Education (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 (e.g., at the contractor's main accounting office) 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 vs. 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,” “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 in excess of seven thousand five hundred dollars (\$7,500) including tax, per purchase, shall be approved in writing in advance by the California Department of Education. Approval requests shall be submitted on the Request for Approval of Equipment form (CD-2703) to the contractor's Early Education and Support Division (EESD) 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).

EQUIPMENT BIDDING REQUIREMENTS

Contractors must obtain at least three (3) bids for all equipment purchases exceeding five thousand dollars (\$5,000) including tax. The bids shall be attached to the Request for Approval of Equipment (CD-2703) and submitted to the contractor's EESD consultant for approval.

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) so that each has a value of under \$5,000 to avoid the competitive bidding requirement is prohibited.

If three (3) bids or estimates cannot be obtained, the contractor shall provide EESD with 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).

For additional information, contractors should consult the FY16-17 FT&C or speak to their EESD consultant.

EQUIPMENT INVENTORY REQUIREMENTS

In addition to reporting expenses, 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.

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 times the contract rate). (See "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.

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 Education and Support 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.

EXAMPLE:

Contract terms:

MRA:	\$170,000
Approved Start-Up:	\$15,000

Year-End Report:

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

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.

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.

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 (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)). A change in federal regulation now 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 SACS 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 times 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.

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, list indirect costs on the “Indirect Costs” line (*fill in the rate used*) and *also* include reported indirect costs as administrative costs on the “Total Administrative Cost” line below the “Total Expenses” line.

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 be a complete report – all pages, completed data columns, original signature, and so forth – *including pages and columns 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

Correcting errors reported in previously submitted data *during* the contract period does NOT require a revised report. Since prior-period data is cumulative, reported data that is incorrect should be corrected by adjusting the “Cumulative Prior Period” column (Column A) of the *next report* for the contract period to show the correct cumulative data. A note in the “Comments” section that column A has been adjusted to correct data from the previous report is required.

Never report negative figures in “Current Period” columns. Doing so could adversely affect the calculations that determine apportionment amounts (negative enrollment or negative expenditures translate during computer calculations as zero enrollment or zero expenditures for the period). The “Current Period” columns should always contain *only* current-period data (see “Revenue” and “Expenses”).

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.

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 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 Child Development and Nutrition Fiscal Services 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 with an approved audit extension have 60 days from the extended due date to submit a revised report, but any revised report 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.

NOTE: When submitting the audit report, data entered into "Column A – Cumulative Prior Period" must match the information previously reported in "Column C – 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. Although a revised report may result in a revised invoice, 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 (see "CalWORKs Reimbursements and Billings").

REPORT CHECKLIST

There is a variety of Attendance and Fiscal Report forms for child development programs, but all have the identical format and ***all have similar instructions.***

PLEASE READ AND FOLLOW THE INSTRUCTIONS.

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

- ✓ Report 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 (contract number changes each fiscal year).
- ✓ County number and vendor code are on each page. (Refer to contract for numbers).
- ✓ Contractor name is on each page. (Must match *agency name on the contract*; site names are not accepted).
- ✓ All cumulative prior period, current period, and cumulative fiscal year data are shown.
- ✓ Never use negative numbers.
- ✓ TOTAL days of enrollment.
- ✓ TOTAL adjusted days of enrollment.
- ✓ Days of Operation (should not exceed days on the approved calendar).
- ✓ Total days of attendance (This is NOT the same as “Days of Operation.” Total certified attendance *cannot* exceed total certified enrollment).
- ✓ All revenue related to the program (Family Fees, interest, non-CDE income, Child Care Nutrition, etc.) for both certified and non-certified children in the program (do not report child development contract payments).
- ✓ All expenses related to the program for both certified and non-certified children in the program.
- ✓ Use only approved indirect cost rate, not to exceed 10 percent (for school districts and county offices of education, use the lesser of the negotiated indirect cost rate or 10 percent).
- ✓ Columns are totaled on all pages.
- ✓ Authorized agency designee has reviewed, dated, and signed the report. (The signature must be original; photocopies or rubber stamps are not acceptable).
- ✓ Any required supplemental forms are attached.
- ✓ Be sure to keep a copy for your records.

MONITORING: SELF-HELP CDNFS WORKSHEETS

There are three Child Development and Nutrition Fiscal Services (CDNFS) worksheets designed to help contractors monitor the fiscal portion of their Center-based program. CDNFS worksheets are self-help tools using data that is reported on a CDNFS Attendance and Fiscal Report form. The Attendance and Fiscal Report earnings projection calculations sent by CDNFS may provide some technical assistance. However, they are not the best way to monitor a program due to the following limitations:

- They are sent more than a month after the data was collected.
- The primary purpose is to determine the appropriate apportionment amount based on the projected amount of the contract to be earned.

The CDNFS worksheets have distinct advantages over CDNFS projections such as the following:

- They can be completed at any time throughout the year, and the sooner a contractor identifies a problem, the more likely the problem can be resolved.
- They provide additional information that CDNFS contract projections do not.
- They may indicate a fiscal problem even if the California Department of Education (CDE) contract is being fully earned.
- They compare costs to fees for non-certified children, whereas CDNFS contract projections address only the certified portion of the program.

These worksheets are located in the Self-Help Worksheet section of the CDE website at <http://www.cde.ca.gov/fg/aa/cd/cdnfsforms16.asp>. There is an Instructions tab in each worksheet with additional directions for completing the forms. If you print a worksheet for other staff, please remember to provide all sheets, including the instructions.

CDNFS WORKSHEET 1: Earning the Service Segment of the Contract

This worksheet converts the “child days of enrollment” (cde) number to an actual head count of children and indicates how many certified children need to be enrolled to earn the full contract amount.

CDNFS WORKSHEET 2: Is Your Program Financially Healthy?

This worksheet analyzes the program’s cost per child to determine if costs are too high and/or if additional income is needed and consists of two sections:

- Section I calculates the actual cost per unit of service and compares it to the contract rate.
- Section II determines whether fees for non-certified children are sufficient to support the non-certified portion of the program.

CDNFS WORKSHEET 3: Determining Service to Expenditure Relationship

This worksheet compares the program’s service earnings for certified children to the program’s actual costs for those children. This helps a contractor determine whether additional outside income or adjustments to expenses and/or enrollment are necessary.

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 Education and Support Division, according to *California Code of Regulations, Title 5, Section 18056(a)* (see "Apportionment Notifications").

NOTE: An advance apportionment cannot be made until the contract is fully signed and executed by the Contracts Office.

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. 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.

(See “Contract Numbers,” “Reporting Deadlines,” “Accrual versus Cash Accounting,” and “Limits of Reimbursement: Expenditure-Only”).

CDNFS APPORTIONMENT SCHEDULES

Child Development Programs Maximum Advance Payment Percentages

MONTH ADVANCE IS RECEIVED	SEASONAL MIGRANT		SEASONAL MIGRANT SPECIAL SERVICES		ALL OTHER PROGRAMS	
	% of MRA Cumulative		% of MRA Cumulative		% of MRA Cumulative	
JULY	24.5%	24.5%	20%	20%	8.3%	8.3%
AUGUST	17%	41.5%	20%	40%	8.3%	16.6%
SEPTEMBER	17%	58.5%	20%	60%	8.4%	25.0%
OCTOBER	12.75%	71.25%	15%	75%	8.3%	33.3%
NOVEMBER	0	71.25%	0	75%	8.3%	41.6%
DECEMBER	0	71.25%	0	75%	8.4%	50%
JANUARY	0	71.25%	0	75%	8.3%	58.3%
FEBRUARY	0	71.25%	0	75%	8.3%	66.6%
MARCH	12.85%	84.1%	6.25%	81.25%	8.4%	75%
APRIL	5.3%	89.4%	6.25%	87.5%	8.3%	83.3%
MAY	5.3%	94.7%	6.25%	93.75%	8.3%	91.6%
JUNE	5.3%	100%	6.25%	100%	8.4%	100%

NOTES:

- This chart shows the maximum percentages that may be apportioned each month; actual amounts may be lower based on projections (see “Advance Apportionments” and “Projecting Your Earnings”).
- Advance apportionments are usually received in the first 10 days of the month.
- 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.
- Service contracts receive an initial advance (25%) and thereafter are reimbursed according to report data (see “Advance Apportionments”).
- Most support contracts (CHST, CLPC, etc.) receive an initial advance (25%) and thereafter are reimbursed according to quarterly report data (see “Advance Apportionments”).

PROJECTING YOUR EARNINGS

The form on the following page, CDFS-9503, is an example of an Earnings Projection worksheet similar to the one Child Development and Nutrition Fiscal Services (CDNFS) uses during the contract period to determine *projected* earnings and the appropriate apportionment amount. 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, but this manual version follows the same format and shows the calculation steps that determine a projected earnings level and the amount 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 will result in a billing for unearned contract funds when the contract is closed.

NOTE:

- The calculated apportionment amount is for a particular month.
- This manual worksheet is for most center-based program types, such as General center-based programs and State Preschool; other program types, such as Alternative Payment, use different worksheets.

ATTENDANCE FLEX FACTORS

Contracts with a service requirement generate service-level earnings based on enrollment, but those service-level earnings will be reduced due to low attendance. However, a five percent adjustment or "flex factor" is allowed for attendance: on line 19, the calculation adds five percent to the actual attendance percentage to create an adjusted attendance percentage, not to exceed 100 percent. Thus, only contracts with less than 95 percent actual attendance percentage will have service-level earnings reduced (see "Flex Factors").

CALCULATING APPORTIONMENTS

Total reimbursable costs and total service-level earnings are projected by multiplying reported data by a projection factor derived from the days operated compared to the contract Minimum Days of Operation (MDO). Contracts without an MDO are projected based on *months* operated. The lesser of projected costs or service-level 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. 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, minus apportionments paid to date (see "CDNFS Apportionment Schedules").

EARNINGS PROJECTION FY: _____

CONTRACT NO.: _____

REPORT MONTH: _____

PROJECT NO.: ____ - ____ - ____ - ____

APPORTIONMENT MO: _____

AGENCY NAME: _____

CDNFS ANALYST: _____

DATE: _____

1. Total expenses (includes Start-Up), from report	\$ _____	
2. A. Restricted income (Program), from report	\$ _____	
B. Transfer from Child Development Reserve Fund	\$ _____	
3. Nonreimbursable expenses, from report	\$ _____	
4. Net expenses (line 1 - (line 2A + line 3))	\$ _____	
5. Administrative cost		
A. Reported	\$ _____	
B. Maximum allowable (line 4 x 15%)	\$ _____	
C. Excess (line 5A - line 5B; if less than 0, use 0)	\$ _____	
6. Adjusted child days of enrollment (cde)		
A. Certified cde, from report	_____	
B. Total cde, from report	_____	
C. Percent certified (line 6A / line 6B)	_____	%
7. Start-up cost		
A. Reported	\$ _____	
B. Maximum Start-up (per contract)	\$ _____	START-UP
C. Budget Impasse Credit reported	\$ _____	
D. Maximum Budget Impasse Credit (per contract)	\$ _____	
E. Lesser of (Lines 7A or 7B) + Lesser of (Lines 7C or 7D)	\$ _____	
8. Adjusted net expenses (line 4 - (line 5C + line 7A + Line 7C))	\$ _____	
9. Net reimbursable expenses (line 6C x line 8)	\$ _____	
10. Actual days of operation to date, from report	_____	
11. Minimum days of operation required (per contract)	_____	MDO
12. FY projection factor (line 11 / line 10)	_____	
13. Projected FY net reimbursable expenses ((line 9 x line 12) + line 7E - line 2B)	\$ _____	
<hr/>		
14. Maximum reimbursable amount (per contract)	\$ _____	MRA
15. Contract rate (per contract)	\$ _____	RATE
16. Actual service earnings (line 6A x line 15)	\$ _____	
17. Projected FY service earnings (line 16 x line 12)	\$ _____	
18. Attendance percentage (Attendance / Enrollment)	_____	%
19. Attendance flex. factor (line 18 + 5%; if greater than 100%, use 100%)	_____	%
20. Projected service earnings adjusted for attendance ((line 19 x line 17) + line 7E)	\$ _____	
<hr/>		
21. Projected FY contract earnings (lesser of lines 13 or 20)	\$ _____	
22. Subsidized Family Fees + Interest income to date, from report	\$ _____	
23. Projected FY subsidized Family Fees + Interest income (line 22 x line 12)	\$ _____	
24. A. Projected FY adjusted contract earnings (line 21 - line 23)	\$ _____	A.
B. Proj. FY reimbursement (lesser of lines 24A or 14)	\$ _____	B.
25. Projected FY reimbursement (lesser of line 24B or the MRA)	\$ _____	
26. Apportionments to date	\$ _____	
27. Projected percentage of contract earnings (line 25 divided by line 14)	_____	%
28. Calculated apportionment (line 14 x line 27 x maximum cumulative percentage [See CDNFS Apportionment Schedule] - line 26)	\$ _____	

APPORTIONMENT NOTIFICATIONS

Child Development and Nutrition Fiscal Services (CDNFS) may correspond with contractors during the fiscal year regarding apportionments by using the following form letters:

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 projected fiscal year (FY) earnings, based on the latest reported data, indicate that reimbursement will be less than the contract Maximum Reimbursable Amount (MRA). The Apportionment Adjustment Letter includes an Earnings Projection calculation worksheet showing the reduced monthly amount. An adjustment letter does *not* change the contract MRA. Projected earnings are recalculated with subsequent reports, and if subsequent projected earnings return to a normal level (100 percent of the MRA), the contractor will again 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 *earnings* to projected *costs* as higher costs may indicate the contractor is overspending or is under-enrolled in the certified portion of the program.

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.

NOTE: Contractors are responsible for paying their expenses and should have three months of operating capital available. *If* an apportionment is withheld because of a mistake by the state, and *if* because of that the contractor needs to borrow from a financial institution to pay its bills, then the interest on that loan is a reimbursable expense. (See Funding Terms and Conditions). This does *not* increase the contract MRA.

PRELIMINARY REVIEW LETTER – CDNFS 3610

A Preliminary Review letter is sent when projected FY earnings calculations indicate the contract will earn the full contract MRA. This letter includes a CDNFS Earnings Projection calculation worksheet that should be reviewed by the contractor for possible overspending or under-enrollment problems, because a program can earn the full contract MRA and *still have fiscal problems* that need to be addressed.

LIMITS of REIMBURSEMENT: CENTER-BASED

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. CDE earning adjusted for attendance (called “service earnings”).

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

COSTS

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

EXAMPLE:	\$201,234	total reimbursable expenses
	- \$4,455	minus restricted income
	<u>\$196,779</u>	net costs
	<u> x 0.6</u>	enrollment in this program is 60 percent certified
	\$118,067	adjusted net costs for subsidized children
	- \$775	minus subsidized Family Fees and Interest
	<u>\$117,292</u>	TOTAL Net Reimbursable Costs

If the contract MRA is \$100,000, the program has sufficient costs to claim the full contract amount—however, the excess \$17,292 costs must be covered by additional income outside 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).

SERVICE EARNINGS

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

EXAMPLE:	5,432	adjusted certified child days of enrollment (cde)
	x \$20	contract rate
	<u>\$108,640</u>	subsidized cde service earnings
	x 1	adjusted attendance is 100 percent
	<u>\$108,640</u>	adjusted subsidized cde service earnings
	- \$775	minus subsidized Family Fees and Interest
	<u>\$107,865</u>	TOTAL Reimbursable FY Service Earnings

If the contract MRA is \$100,000, then the program has sufficient service earnings to claim 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. *If the contractor has spent \$117,292* (as shown above in the COSTS example), then the contractor will be reimbursed the lesser of the three (MRA, costs, or service earning). Contract reimbursement income that is not sufficient to cover any excess amount must be covered by additional income outside the CDE contract.

LIMITS of REIMBURSEMENT: ALTERNATIVE PAYMENT and FAMILY CHILD CARE HOMES

Reimbursement for Alternative Payment (AP) and Family Child Care Homes contracts is limited to the lesser of the following:

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

(Funding Terms and Conditions).

AP and Family Child Care Homes contracts do not specify a rate but instead use the Regional Market Rate (RMR) Survey to limit 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 and Family Child Care Homes contracts specify maximum percentages allowed for administrative (limited to 15 percent per *Education Code (EC) Section 8276.7*) and support services costs. However, since the allowances for administrative and support costs are different for these contract types, the calculation of the “amount earned” differs.

ALTERNATIVE PAYMENT PROGRAMS (including CalWORKs)

The “amount earned” consists of reimbursable expenditures of:

1. direct provider payments; and
2. actual administrative and support costs related to services provided, which combined cannot exceed 17.5 percent (*EC Section 8223*) of the total contract amount (when calculating administrative and support allowances, is the greater of the initial maximum reimbursable amount including any authorized cost-of-living adjustment, or the sum of provider payments plus reimbursable administrative and support costs).

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.

Administrative costs may not exceed 15 percent of the contract MRA.

FAMILY CHILD CARE HOMES PROGRAMS

These contracts require a minimum of 70 percent of reimbursable costs to be provider payments (Funding Terms and Conditions), so reimbursement for administrative and support costs combined is limited to actual costs or to 42.857 percent of provider payments, whichever is less. Therefore, the “amount earned” consists of direct provider payments plus appropriate amounts for administrative and support costs.

LIMITS of REIMBURSEMENT: EXPENDITURE-ONLY

Some child development contracts do not have service requirements and are considered “expenditure-only” contracts because reimbursement is based solely on allowable program costs. The most common examples of these are the Resource and Referral Program (RRP), Migrant Special Services (MSS), and most Child Development 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.

RESOURCE and REFERRAL

Resource and Referral Program contracts provide resources to parents and child care providers.

MIGRANT SPECIAL SERVICES

Migrant Special Services contracts supplement general Migrant contracts. In addition to general program requirements, migrant child care and development programs are required to provide special services, including bilingual staff, liaison between agency and community organizations, health and dental screening, and follow-up treatment (*Education Code* Section 8232). Migrant contractors may receive a separate CMSS contract for the costs of these special services.

CHILD DEVELOPMENT SUPPORT CONTRACTS

Support contracts supplement child development program contracts which support the child development community. Support contracts reflect the same contract period (July-June) as service contracts (see “Contract Numbers”).

PRORATION of COSTS

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). Services for each child in a program, whether subsidized (certified) or non-subsidized (non-certified), are to be equitable regardless of the funding source. To ensure equality of program services, Child Development and Nutrition Fiscal Services determines program costs for certified children by prorating the total costs of the program, using reported enrollment 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, because of this, contractors must collect sufficient outside income to support the non-certified portion of their program (see “Fees or Income for Non-Certified Children”).

PRORATION GUIDELINES:

- Contractors are not required to earn the full contract amount, but reimbursement may be limited by the prorated actual costs.
- Expenses for children who are subsidized by another contract or other funding sources besides a CDE child development program contract are calculated as non-certified (see “Commingled versus Co-Located”).
- Reimbursable costs are only one of the limits to reimbursement (see “Limits of Reimbursement”).

(See “Over-Enrollment”).

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 prorated expenditures 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 for the non-certified portion of the program.

OVER-ENROLLMENT

Over-enrollment is defined as a program that is providing more certified child days of enrollment than required by the contract. Contracts state a service requirement (cde) as a minimum required to earn the contract Maximum Reimbursable Amount (MRA). It is fiscally acceptable to serve more than the minimum, however, the contractor will not be reimbursed for more than the contract MRA. Expanding certified services at no additional cost has the effect of lowering the actual cost for certified children below the contract rate.

EXAMPLE:

Contract MRA = \$150,000

Daily rate = \$30

Minimum cde required = 5,000

Minimum Days of Operation = 250

This program indicated that it needed \$150,000 at a rate of \$30/day to serve 5,000 cde (20 children x 250 days). If, instead, the program served 6,000 cde (24 children), the service-level earnings would be \$180,000 (6,000 x \$30 minus 0 Family Fees and Interest), and the contractor would still earn in services the contract MRA. But if expenditures remained at \$150,000, the *actual cost* for certified children is \$25/day ($\$150,000 \div 6,000 = \25) instead of the \$30/day contract rate.

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 an inappropriate rate 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 needs have changed, and a transfer of funds between the CCTR and CSPP contracts is applicable, the contractor can request a transfer of funds between these two contracts (see "California State Preschool Program"). 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").

AP NOTE: Alternative Payment contractors that over-enroll their contract may be eligible for additional state funding under certain limitations (see "Alternative Payment Programs – Additional Funding").

(See "Limits of Reimbursement").

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 contracts with a service requirement is subsidized service earnings (adjusted certified enrollment multiplied by the contract rate) adjusted (reduced) for low attendance. However, contracts are allowed a five percent flex factor for attendance; that is, 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 California Department of Education earnings. This five percent flex factor is applied as an *allowance* and five percent is added to the actual percentage of attendance. Programs with less than 95 percent attendance will have service earnings reduced.

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

Minimum Days of Operation 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").

EXAMPLE: A contract with an MRA of \$100,000 that operates only 97 percent of its MDO will have its MRA reduced to \$97,000 (97 percent of the MRA).

CALCULATING YEAR-END EARNINGS

The form on the following page, CDNFS-9503a, is an example of a year-end earnings calculation sheet. This is calculated at the end of the fiscal year to determine a contract's actual total reimbursement and may result in a billing for 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 California Department of Education (CDE) contract funds that have been apportioned. The Child Development and Nutrition Fiscal Services calculation sheet is computer generated, but this manual version follows the same format and displays the calculation steps that determine a contract's reimbursement.

NOTE:

- Remember, "Certified cde" (enrollment) data is for children subsidized by the contract; children funded by fees, another contract, or other funding source are considered "non-certified" and included in "Total cde" for the program (see "Proration of Costs").
- This manual worksheet is for most center-based program types, such as General, Migrant, and State Preschool; other program types, such as AP, use different worksheets.

For a Local Educational Agency, 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 audit by the Audits and Investigations Division (see "Revised Reports").

RESERVE ACCOUNT CALCULATION

This manual calculation sheet does not provide the formula for line 24c (Transfer to Child Development Reserve account) because the complex formula varies with different types of contracts and may include factors not included on this generic worksheet (see "Reserve Account – Calculations, Balances, and Billings").

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 current 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.

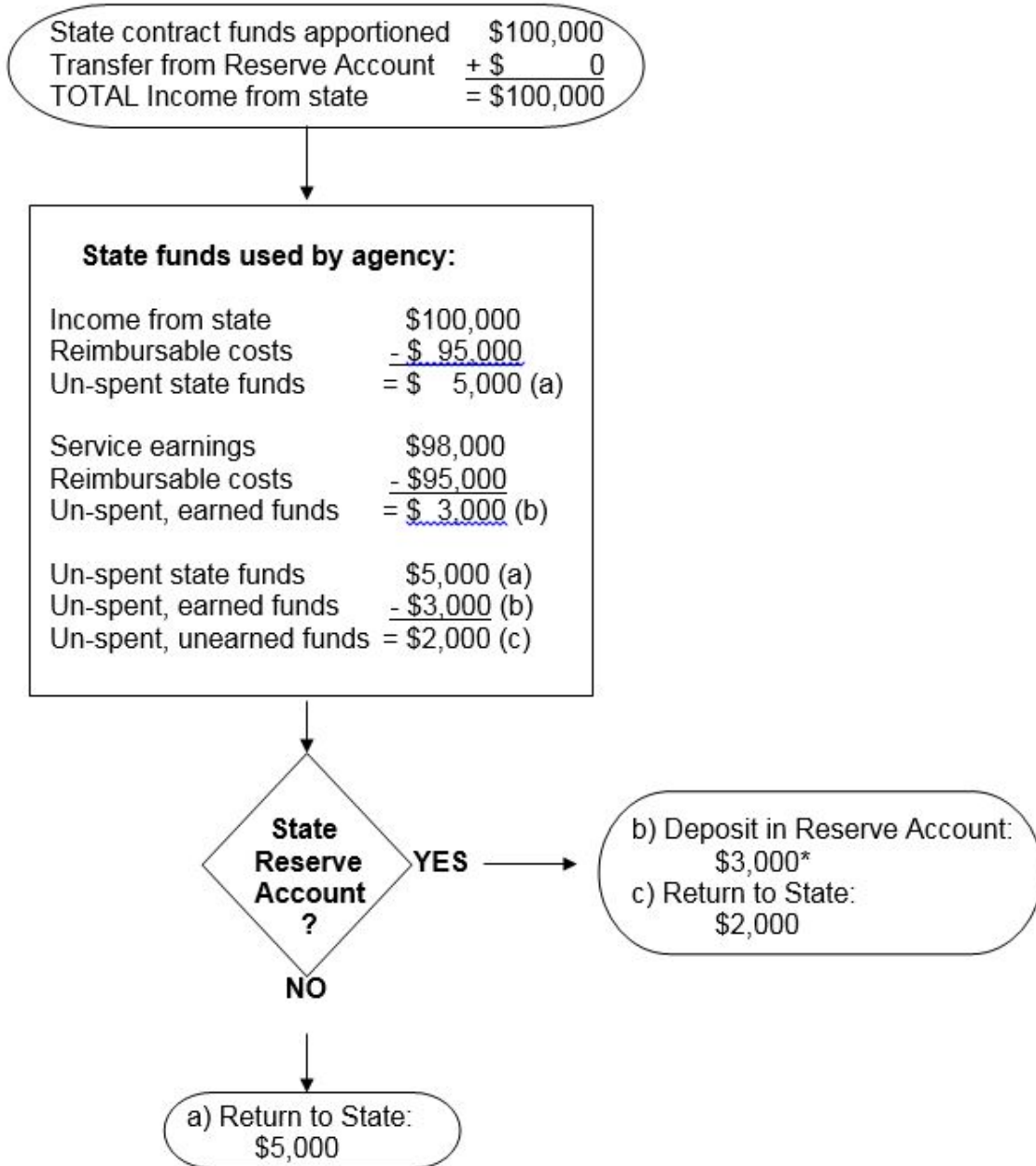
CONTRACT NO.: _____
 PROJECT NO. : ____ - ____ - ____ - ____
 AGENCY NAME: _____

DATE: _____

1. Total cost (includes Start-Up), from report	\$	_____
2. A. Restricted income (Program), from report	\$	_____
B. Transfer from Child Development Reserve Fund	\$	_____
3. Nonreimbursable cost, from report	\$	_____
4. Net cost (line 1 - (line 2A + line 3))	\$	_____
5. Administrative cost		
A. Reported	\$	_____
B. Maximum allowable (line 4 x 15%)	\$	_____
C. Excess (line 5A - line 5B; if less than 0, use 0)	\$	_____
6. Adjusted net cost (line 4 - (line 5C + line 13A + 13C))	\$	_____
7. Adjusted child days of enrollment (cde)		
A. Certified cde, from report		_____
B. Total cde from report		_____
C. Percent certified (line 7A / line 7B)		_____ %
8. Net reimbursable cost (((line 7C x line 6) + line 13A + Line 13C) – line 2B)	\$	_____
=====		
9. Actual days of operation, from report		_____
10. Minimum days of operation required (per contract)		_____ MDO
11. Days of operation adjusted (line 9/line 10; if greater than 98%, use 100%)		_____ %
12. Maximum reimbursable amount (per contract)	\$	_____ MRA
13. A. Start-up cost Reported	\$	_____
B. Maximum Start-up (per contract)	\$	_____ START-UP
C. Budget Impasse Credit Reported	\$	_____
D. Max Budget Impasse Credit per contract	\$	_____
E. Lesser of (Line 13A or 13B) + Lesser of (Line 13C or 13D)	\$	_____
14. Operational MRA (line 12 - line 13E)	\$	_____
15. Operational MRA adjusted for Days of Operation (line 11 x line 14)	\$	_____
16. Total adjusted MRA (line 13E + line 15)	\$	_____
=====		
17. Contract rate (per contract)	\$	_____ RATE
18. FY earnings by cde (line 7A x line 17)	\$	_____
19. Attendance percentage (attendance / enrollment)		_____
20. Attendance flex factor (line 19 + 5%; if greater than 100%, use 100%)		_____ %
21. CDE earnings adjusted for attendance ((line 20 x line 18) + line 13E)	\$	_____
=====		
22. FY reimbursable costs (lesser of lines 8 or 21)	\$	_____
23. Subsidized Parent Fees + Interest Income to Date from report		
A. Subsidized Parent Fees	\$	_____
B. Interest Income	\$	_____
C. Total Parent Fees + Interest (line 23A + line 23B)	\$	_____
24. A. FY earnings (line 22 - line 23C)	\$	_____
B. FY reimbursable earnings (lesser of line 24A or line 16)	\$	_____
C. Transfer to Child Development Reserve	\$	_____
25. Apportionments to date	\$	_____
26. Unapportioned balance due agency: ((line 24B + line 24C) - line 25)	\$	_____
27. Percent of contract earnings ((line 24B + line 24C) / line 12):		_____ %
28. Recommended billing amount:		
A. Total Billing Amount (line 25 – line 24B - line 24C)	\$	_____
B. Apportionment above adj. MRA (line 25 – line 16)	\$	_____
C. Unearned reimbursement (line 28A – line 28B)	\$	_____
D. Interest billing (lesser of line 23B or line 28C)	\$	_____
E. Contract billing (line 28C - line 28D)	\$	_____

STATE DOLLARS FLOW CHART

The following flow chart is an example of the path of child development contract funds when reimbursement is less than the contract Maximum Reimbursable Amount due to low reimbursable expenses:



NOTE: If “service earnings” was the low number (\$95,000), then there would be zero “un-spent, earned funds” and the entire \$5,000 would be returned to the state.

*The Reserve Account maximum limit cannot be exceeded, therefore, for the \$3,000 to be deposited in the Reserve Account, the reserve account must be under its maximum limit by at least \$3,000 (see “Reserve Account – Calculations, Balances, and Billings”).

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 confirms the amount to be billed. CalWORKs contracts will be billed immediately for the amount on the Preliminary Billing Advice, in accordance with the Budget Act, and possible adjustments may be made after receipt of a revised report or review of the audit (see “Revised Reports”).

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, 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.

PRIVATE (Non-LEA) CLOSURE – AUDIT REVIEW LETTER – CDFS 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 year-end 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 – Calculations, Balances, and Billings"). 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.

VOLUNTARY/TEMPORARY TRANSFER OF FUNDS

California *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., 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.

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 analyst for consideration.

Contractors will no longer submit VTT requests to the Early Education and Support Division. Instead, 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. 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 Web site at <http://www.cde.ca.gov/sp/cd/re/lpc.asp> under Voluntary, Temporary Transfer Requests.

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 California Department of Education (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.

ALTERNATIVE PAYMENT PROGRAMS – ADDITIONAL FUNDING

Alternative Payments (AP) contractors (excluding CalWORKs 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. Although AP contingency funds may reimburse additional services to eligible children, there are limits to the amount that may be requested and an application process that must be followed.

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 department, 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 CDE.

The Application for Contingency Funds (form CDNFS 1571) will be available on the Internet during the application period at: <http://www.cde.ca.gov/fq/aa/cd>. 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. Payments for additional AP services from the contingency fund will be made to the extent that funding is available.

CalWORKs REPORTING

Due to the fluctuating nature of CalWORKs funding needs, the California Department of Education (CDE) has different reporting requirements for CalWORKs contracts.

REPORTS REQUIRED

All CalWORKs contractors must submit the following on a monthly basis:

1. CalWORKs Fiscal Report for each CalWORKs contract, based on **accrued revenue and expenditure data**; and
2. a CalWORKs Caseload Report for each county the contractor serves, based on **actual service and expenditure data**.

The CalWORKs Fiscal Report is essentially the same as the Child Development and Nutrition Fiscal Services (CDNFS) 9500-AP fiscal report, which provides year-to-date accrued revenue and expenditure data. The CalWORKs Caseload Report provides service and expenditure data for the report period.

ONLINE SUBMISSION

CalWORKs reports must be submitted electronically via CDNFS Web site at <http://www2.cde.ca.gov/cdfs/logon.aspx>. The report deadline is the 20th of each month following the end of the reporting month (see "Reporting Deadlines"). Reports not *submitted and certified* by the due date are considered delinquent, and contract reimbursement will be delayed.

ACCRUAL versus CASH ACCOUNTING

According to the California School Accounting Manual, Section 100, Procedure 101, cash based accounting refers to *"revenues [that] are recorded when cash is received, and expenditures (or expenses) [that] are recorded when cash is disbursed."* Accrual based accounting refers to *"revenues [that] are recorded when earned, and expenditures (or expenses) [that] are recorded when a liability is incurred, regardless of when the receipt or payment of cash takes place."* In other words, accruals show costs for services that have occurred but have not yet been paid. *California Code of Regulations, Title 5, Section 18063*, requires that *"Contractors shall report expenditures on an accrual basis."* CalWORKs contractors are required to use this accrual method.

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 in the month. Although payment has yet to be made, your total "Direct Payments to Providers" on the 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 REVISED MONTHLY REPORTS

Contractors may submit revised fiscal and/or caseload reports during the current contract period. It is the contractor's responsibility to determine which reports need to be resubmitted. If a revised report is submitted, contractors must call their CDNFS analyst to inform them of the revised report submitted online.

CaWORKs REIMBURSEMENTS and BILLINGS

CaWORKs contracts adhere to the same apportionment schedule and 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.

CaWORKs June year-end reports must be submitted no later than July 20. CaWORKs 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 CaWORKs contractors, both Local Educational Agencies (LEA) and private contractors, for unearned CaWORKs 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 CaWORKs 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 “Limits of Reimbursement: Alternative Payment and Family Child Care Homes”).

CalWORKs MRA ADJUSTMENTS

Since the need for CalWORKs Stage 2 and CalWORKs Stage 3 funding fluctuates, the California Department of Education (CDE) must be able to adjust CalWORKs contract amounts during the course of the contract period *“to ensure funds are distributed proportional to need”* (Budget Act). Child Development and Nutrition Fiscal Services (CDNFS) accomplishes this by reviewing reported fiscal and caseload data periodically during the contract period to determine fiscal year estimated need. 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.

NOTE: These MRA adjustments may affect the monthly apportionment amounts received by the contractor.

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 must contact their fiscal analyst to request an augmentation.

Contractors will be required to submit supporting documentation with their request. CDNFS will determine the contractor’s appropriate need and will augment the MRA (*provided there is available funding*). Contractors will receive notification from CDNFS of the augmentation amount, followed by a contract amendment from the Contracts Office increasing the MRA. Contractors receiving an MRA augmentation should sign and return the amendment immediately so that it can be executed while the funds are available. Until the amendment is fully executed, the current MRA remains in effect.

REDUCTIONS

If the calculated fiscal year estimated need indicates an amount less than the contract MRA, *“the CDE may immediately reduce the contract”* (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, and in order to avoid overpayments and subsequent billings, CDNFS will calculate payments using the reduced MRA as soon as it is initiated. Contractors will also receive a contract amendment from the Contracts Office (see “CalWORKs Reporting”).

RESERVE ACCOUNT BASICS

Contractors who *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.

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

Senate Bill 876 (Chapter 687, Statutes of 2014) amended *EC Section 8450* to increase the cap on center-based 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. Center-based 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 center-based reserve accounts will continue to remain one 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 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 (Center-Based, Alternative Payment, and Resource and Referral), 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 restricted income for child development programs but may be made to 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 General Child Care and a State Preschool, and has established a Center-Based Reserve Account. The contractor is able to reserve some of its General Child Care contract funds. Once deposited in the Reserve Account, the funds lose their contract identity. Center-Based Reserve Account funds may be transferred the following year as restricted income to either the General Child Care or the Preschool program.

RESERVE ACCOUNT 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 State Department of Education.”*
- *“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 State Department of Education.”*
- 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.

(EC Section 8450).

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.

RESERVE ACCOUNT REPORTING

All contractors with a Reserve Account are required to submit an annual Reserve Account Activity Report (*even if the account has a zero balance*). The Activity Report must include a General Ledger (GL) 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

Money 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 GL for each Reserve Account, to Child Development and Nutrition Fiscal Services (CDNFS). This report and GL 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 GL 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 California Department of Education (see "Reserve Account – Calculations, Balances, and Billings" and "Reserve Account Status Report").

For all Contractors - Reserve Accounts within your GL 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 Local Education Agencies.

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.

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 some subsequent year.
- Reserve Account funds can be transferred only to the same type of contract as the account, either Center-Based, Alternative Payment, or Resource & Referral.

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 Maximum Reimbursable Amount (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.

RESERVE ACCOUNT – CALCULATIONS, BALANCES, and BILLINGS

The amounts of California Department of Education (CDE) contract funds that may be reserved are calculated and authorized by the CDE. Child Development and Nutrition Fiscal Services (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 Basics," "Reserve Account Status Report," and "State Dollars Flow Chart").

CALCULATIONS

Calculating Reserve Account amounts for each contract is a complex procedure. The CDE does not expect contractors or their certified program accountant(s) to be able to accurately calculate these amounts because of the number of unknown variables, including actual enrollment and cost data, which may not be determined until the CDE closes the contractor's audit. Reserve Account amounts can be *estimated*, but CDNFS cautions contractors to do this only if they need to set up a *potential* accounts receivable or accounts payable. Basically, the amount a contract may have to reserve is its reimbursable earnings minus its reimbursable costs, within the contract Maximum Reimbursable Amount (MRA) that does not exceed the Reserve Account maximum limit. Reserve Accounts for Center-Based contracts, Alternative Payment (AP) contracts, and for Resource and Referral (R&R) contracts are restricted by maximum limits (*Education Code* Section 8450). A Center-Based Reserve Account balance may not exceed five percent of the total contract MRA(s) contributing to the reserve. Exception: CSPP contractors may retain 15 percent of the total contract MRA(s) contributing to the reserve. An 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. An R&R Reserve Account balance may not exceed three percent of the contract amount. For Center-Based, AP, or R&R Reserve Account 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.

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.

RESERVE ACCOUNT STATUS REPORT

CALIFORNIA DEPARTMENT OF EDUCATION
RESERVE ACCOUNT STATUS REPORT
CDFS 9530 (Rev 6/15)

Date: February 14, 2016
CDNFS Analyst: Jane Smith
Telephone: 916-555-1212

59-9999-00	Report Year ¹ :	2015–16
SAMPLE CHILD CARE CENTER	Program Category:	Center Base
Street Address	Maximum Center Base Reserve General:	\$9,000
City, CA Zip	Maximum Center Base Reserve CSPP Professional Development:	\$18,000
	Maximum Center Base Reserve Total ² :	\$27,000

SECTION I – BEGINNING BALANCE ³		\$8,750
SECTION II – INTEREST ⁴		\$250
Contract No.	SECTION III – TRANSFER FROM RESERVE ⁵	SECTION IV – TRANSFER TO RESERVE ⁶
CCTR4777	\$750	\$0
CSPP4888	\$0	\$500
CMIG4000	\$0	\$0

PLEASE NOTE the following:

- ¹*Report Year* is the fiscal year of closure for all contracts listed for this Reserve Account.
- ²*Maximum Center Base Reserve* is the maximum amount allowed in this Reserve Account. (See “Reserve Account – Calculations, Balances and Billings”).
- ³*Beginning Balance* is the ending balance from the prior report year (Year-end Report for LEAs and Audit for Non-LEAs).
- ⁴*Interest* is the interest revenue earned on reserved funds (Beginning Balance) during the report year.
- ⁵*Transfer from Reserve (Expenses)* must match the “Transfer from Reserve Account” (Income) amounts on each contract’s Attendance and Fiscal Report. (Each Attendance and Fiscal Report must also include excess reimbursable expenses that require this income).
- ⁶*Transfer to Reserve* results from year-end calculations determining contract reimbursement and unused funds available to reserve.
- ⁷*Ending Balance* is the balance before any excess is billed
- ⁸*Excess Reserve to be Billed* is the ending balance amount that exceeds the maximum center base reserve.
- ⁹*Reserve Balance After Billing* is the amount available for use during the following fiscal year (in this case, FY 2015-16).

SECTION V – ENDING BALANCE ⁷ (Section I + Section II – Section III + Section IV)		\$8,750
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Excess reserve to be billed⁸: \$0

RESERVE BALANCE AFTER BILLING (Section V – Excess Reserve Billing Amount)⁹: \$8,750

CDNFS ANALYST: _____

REMITTANCE ADVICE

Funds are sent to an agency by means of a warrant (check) from the State Controller's Office. Each warrant is accompanied by a Remittance Advice slip that provides important information identifying the funds. Since an agency may receive funds for more than one contract, or from various state offices, it is necessary to be able to interpret the Remittance Advice to properly account for the funds received. A Remittance Advice for child development contract funds usually has the following "invoice" information:

1. The date of the warrant;
2. The five-digit Project Cost Account (PCA) number that identifies the fund source for the California Department of Education's (CDE's) Accounting Office. CDE contracts that are funded from multiple sources will have multiple PCAs that may be listed separately;
3. The series of eight alpha/numeric characters that is the contract number (see the face sheet of your contract). The first four characters (usually alpha) designate the program type. The second four characters (numeric) designate the fiscal year and sequence number: the first numeral indicates the fiscal year (the last digit of the first half of the fiscal year; e.g., FY 2016–17 would be a "6") and the last three numerals indicate the program sequence number (see "Contract Numbers");
4. The amount for that particular contract.

The following sample illustrates the information on a Remittance Advice:

PROJECT COST ACCOUNT (PCA)		AMOUNT		CONTRACT NUMBER	
REMITTANCE ADVICE		VENDOR-ID		PAGE 1 STATE OF CALIFORNIA	
8TD. 404C (REV. 4-95)		000000A000-00		THE ENCLOSED WARRANT IS IN PAYMENT OF THE INVOICES SHOWN BELOW.	
DEPARTMENT NAME		ORG CODE		INVOICE DATE RPI	
DEPARTMENT OF EDUCATION		6100		INVOICE NUMBER	
DEPARTMENT ADDRESS		CLAIM SCHED. NO.		INVOICE AMOUNT	
1430 N STREET		0000000		03/09/17 13609 CCTR6123	
SACRAMENTO CA 95814				500.00	
VENDOR				03/09/17 23254 CCTR6123	
SAMPLE CHILD CARE CENTER				4062.00	
Street address				03/09/17 23254 CSPP6007	
City, CA zip code				2000.00	
FEDERAL TAX ID NO. OR SSAN	RF TYPE	TAX YEAR	TOTAL REPORTED TO IRS	TOTAL PAYMENT	6562.00
			.00		

NOTE: Warrants may include payments for multiple contracts; however, payments to CSPP contracts from a general fund preschool PCA will be sent in a separate warrant. In the example above, the agency is receiving payments for CCTR and CSPP under one warrant because the CSPP payment is made from a non-preschool PCA.

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. The Remittance Advice that accompanies a state check also reflects reimbursement amounts by SACS codes. However, Child Development and Nutrition Fiscal Services (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/fq/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 (GL). Reserve Accounts within your GL 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

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
EESD.....	Early Education and Support 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)
Subsidized... ..	Funded by a CDE child development contract (see certified)