



CALIFORNIA
DEPARTMENT OF
EDUCATION

TOM TORLAKSON

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

September 13, 2017

Dear Executive Directors of Child Care and Development Programs:

2017–18 CHILD CARE AND DEVELOPMENT CONTRACT CHANGES

The purpose of this letter is to inform contractors of changes to Child Care and Development contracts and reporting procedures beginning July 1, 2017. Please share this letter with your agency staff.

STANDARD REIMBURSEMENT RATE INCREASE

The Budget Act of 2017 (Assembly Bill 97, Chapter 14), includes an increase to the Standard Reimbursement Rate (SRR) to reflect the full ten percent increase made in the 2016 Budget Act, as well as a six percent increase to the SRR effective July 1, 2017 for General Child Care (CCTR), Migrant (CMIG), Handicapped (CHAN), and the California State Preschool Program (CSPP). This increases the SRR for CCTR and CMIG contracts to \$45.44. The SRR for CSPP contracts has been increased to \$45.73 for full-day care, and \$28.32 for part-day care.

Guidance on the Non-Certified Family Fee Rate

Due to the significant increase in the SRR over the last three years, the California Department of Education (CDE) has re-examined policy regarding the collection of non-certified family fees. The direction provided in years past was for contractors to collect family fees from non-certified families that are equal to or greater than the child development contract rate of reimbursement in order to avoid a deficit of funds for child development programs. While the non-certified family fees collected and reported to the Department will continue to be reviewed, additional direction is being provided for fiscal year (FY) 2017–18.

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

fund and/or reserve funds, or will result in the need for the contractor to obtain funding from a source other than the Child Development contract.

As in prior years, if income for services to non-certified children comes from a source other than families, it should be reported on the Attendance and Fiscal Report submitted to CDNFS as "Other" Unrestricted Income, and the source and purpose should be specified.

Adjustment Factor Change

As a result of the increase to the SRR for CSPP, the adjustment factor for one-half-time children is decreasing from 0.6196 to 0.6193. This change ensures a reimbursement rate for one-half-time children of \$28.32 in FY 2017–18 as specified in the Budget Act of 2017. The new adjustment factor is reflected on the updated Attendance and Fiscal report for CSPP (CDNFS 8501).

ATTENDANCE AND FISCAL REPORTS

The CDE would like to remind agencies that current year Attendance and Fiscal Reports must be submitted on the report forms provided on the FY 2017–18 Report Forms Web page at <http://www.cde.ca.gov/fg/aa/cd/cdnfsforms17.asp>. The only exception to these instructions is if an agency utilizes an attendance and fiscal reporting software that generates the report, in which case the generated report must match the most recently updated excel version of the report form. Please be aware that these forms are updated annually.

As a reminder, reports are not considered complete unless all required fields have been filled out. When completing the report forms, please be sure to enter the full name of your agency, the contract number, the report month, the county number, and the name of your assigned fiscal analyst. Those fields are on page one of all report forms and will automatically populate on the other pages of the reports once they have been entered on page one.

Alternative Payment Program Reporting Reminder

California Code of Regulations Title 5 (5 CCR), Section 18228 specifies that Alternative Payment contractors may offset the payment paid to the provider when their policy allows the providers to directly collect and retain family fees from the families they serve. The 5 CCR Section 18228(c) requires the contractor to report the family fee as revenue, even when the provider retains the family fee. Further, 5 CCR Section 18228(d) requires contractors to report the payment to the provider along with the family fees paid by the parent as an expense. Therefore, for reporting purposes, agencies should not offset the amount of provider payments by family fees collected when reporting provider payments on CDNFS report forms.

Reimbursement of Family Fees due to Family Fee Schedule Revision

Assembly Bill (AB) 99, Chapter 15, Statutes of 2017, required the CDE to revise the Family Fee Schedule, effective July 1, 2017. Management Bulletin (MB) 17-11 directs contractors to reassess family fees by September 30, 2017, and requires agencies to refund or credit families accordingly. Below is guidance for how and when to report adjusted family fees.

Family fees are reported on CDNFS fiscal reports when collected. In instances where an agency has collected a family fee that has since been reassessed and reduced or eliminated, contractors will report the reassessed family fee, and not the amount originally assessed and collected.

Whether the fees collected are being refunded to the family or credited for future months, the amount of fees that should be reported on CDNFS forms are the reassessed fee for the month(s) being reported. For example, if an agency initially assesses a family fee at \$40 per month, and collects the fee timely, the agency will have collected \$80 for July and August. If the agency determines, after reassessment, that the family fee is now \$15 per month, the agency will refund or credit the family \$50 for the first two months ($\$80 - \$30 = \$50$).

Using the example above, if the agency is a quarterly reporter and therefore has not yet submitted a report to CDNFS (first quarter September report due October 20), they will report the **reassessed** \$30 in family fees for those two months, plus \$15 for September (if collected), for a total of \$45 in family fees collected in the first quarter. This is the manner in which family fees should be reported, regardless of whether or not the agency has issued the refund to the family by September 30.

If the agency is a monthly reporter and therefore has submitted a July report to date, a revision to the "prior period" on the CDNFS report form will be necessary. Continuing with the example above, if the agency has collected \$80 in family fees for July and August, the family is due back \$50. When reporting for the July period, this agency would have reported \$40 in family fees. To correct this, and to minimize the effect on reimbursement, the agency should revise the prior period from \$40 to \$15, report \$15 for the "current period" (for August), which will result in a total of \$30 in cumulative family fees for the report month August. This is the manner in which family fees should be reported, regardless of whether or not the agency has issued the refund to the family by August 31.

REGIONAL MARKET RATE REIMBURSEMENT CEILINGS

The Budget Act of 2017 maintains the current Regional Market Rate (RMR) ceilings through December 31, 2017. Beginning January 1, 2018, the CDE is required to implement ceilings at the greater of either the 75th percentile of the 2016 RMR Survey, or the RMR ceiling as it exists on December 31, 2017, whichever is higher. Additionally, commencing January 1, 2018, the license-exempt child care provider ceilings will equal 70 percent of the established Family Child Care Home (FCCH) ceiling.

To make the new ceilings available to all CDE contracted agencies in advance of implementation, the Department has prepared a special viewing link. This link is now available and can be found after you log on to the Alternative Payment Child Development Fiscal Services Web site at <http://www2.cde.ca.gov/cdfs/logon.aspx>.

As with FY 2016–17, the CDE is closely monitoring contract earnings for all contract types effected by the new RMR ceilings. To assist the CDE in earnings and cash analysis, over-enrolled Alternative Payment (CAPP) programs should continue to submit fiscal reports and internal caseload projections monthly. Monthly fiscal reports should be submitted via the webpage provided above, and caseload data should be provided to Corey Khan by e-mail at CKhan@cde.ca.gov.

TRANSFERS BETWEEN GENERAL CHILD CARE AND CALIFORNIA STATE PRESCHOOL CONTRACTS FOR FISCAL YEAR 2017–18

During the year, a contractor may find its projected services or needs have changed, requiring a transfer of funds between their CCTR and CSPP contracts. In FY 2017–18, contractors will have two opportunities to request a transfer of funds and amend their CCTR and CSPP contracts.

TRANSFER REQUESTS ARE TO BE SUBMITTED TO CHILD DEVELOPMENT AND NUTRITION FISCAL SERVICES, WITH ATTENTION TO THE FISCAL ANALYST:

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 fiscal analyst assigned to your agency.

As with CSPP/CCTR transfers in previous years, Proposition 98 State Preschool funds (Program Cost Account 23038) cannot be transferred into a CCTR contract, so contractors must be aware of the funding structure in their contracts prior to submitting a transfer request. As a reminder, Local Education Agencies (LEAs) and Community College Districts (CCDs) CSPP contracts are funded entirely by Proposition 98 funding. This change in the appropriation for State Preschool began in FY 2015–16 and remains in FY 2017–18.

If a significant portion of the contract Maximum Reimbursable Amount is being requested to transfer, the Early Education and Support Division (EESD) may require a Program Narrative Change form. The Program Narrative Change form should describe any changes to the

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number of sites operated by the contractor, any changes to the age group 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's Child Care Services Forms Web page 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's Child Development Allocations and Apportionments Web page at <http://www.cde.ca.gov/fg/aa/cd/> (under "Reporting Forms" for the current year) for the following transfer periods.

January 1–15, 2018

There are two letters for this period: one to request a transfer for the current year and one to request a transfer for FY 2018–19. 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 2018–19.

May 1–15, 2018

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 2018–19 during this period.

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

VOLUNTARY AND TEMPORARY TRANSFER OF FUNDS

California *Education Code* Section 8275.5 allows for a Voluntary and Temporary Transfer (VTT) of funds between over-earning contractors and under-earning contractors with like contract types (i.e. CCTR to CCTR) in order to fully utilize child care and development funding. Contractors will self-identify as an over- or under-earner and submit a transfer request that includes an amount of contract funding they expect to be able to temporarily release or accept.

Contract types that are eligible to participate in VTTs are as follows: CAPP, CCTR, CSPP, CMIG, CMAP, Family Child Care Homes (CFCC), and CHAN. Requests should be submitted to the Local Planning Council (LPC) designee or an LPC subcommittee group who will facilitate the transfer of funds between contractors and submit requests to the CDE.

The first opportunity to request a VTT of funds will be between November 1 and November 15, 2017; the final opportunity will be between May 1 and May 15, 2018.

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Sacramento, CA 95814

An original signature is required for VTT requests; however, an unsigned advance copy of the request may be submitted electronically to the fiscal analyst assigned to your agency.

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

ANALYST DIRECTORY

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

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

Sincerely,

Original Signed by Eddie Yamamoto

Eddie Yamamoto, Staff Services Manager III
Child Development and Nutrition Fiscal Services
Fiscal and Administrative Services Division

EY:jc