



**CALIFORNIA DEPARTMENT
OF EDUCATION**

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STATE SUPERINTENDENT OF
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June 1, 2018

Dear California Alternative Payment Program Contractors:

FY 2018–19 California Alternative Payment Program Changes

The purpose of this letter is to provide California Alternative Payment Program (CAPP) contractors with information about Assembly Bill (AB) 1106, including information regarding changes to reporting procedures beginning July 1, 2018. This letter also notifies CAPP contractors of a change to the apportionment schedule effective July 1, 2018 and reminds contractors of the March 12, 2018 guidance regarding CAPP over-enrollment.

CAPP Multi-Year Contract Implementation

Background

Effective January 1, 2018, AB 1106 amended *Education Code* Section 8220.1, extending the time period for CAPP contractors to expend funds allocated in a given fiscal year (FY). Specifically, CAPP contractors will now have no less than 36 months, rather than 12 months, to expend contract funds. The FY 2017–18 CAPP contract period ends June 30, 2018. Therefore, contract amendments and changes in reporting requirements are necessary to implement AB 1106.

Initial Implementation

AB 1106 allows for under-earning agencies, or agencies that did not fully expend contract funds in the first year of the contract, to fully spend the funds in the upcoming year. The CAPP contract period will therefore be extended for under-earning contracts to allow full spending of the contract. Amendments to FY 2017–18 under-earned contracts will be processed in June 2018 to extend the contract period through June 30, 2019, and in subsequent years as necessary. These amended 2017–19 contracts will be referenced in this letter as FY 2017–19 CAPP7 contracts. Contractors fully earning their FY 2017–18 CAPP MRA will not receive an amendment.

The Child Development and Nutrition Fiscal Services (CDNFS) Unit will review all CAPP contracts to determine which FY 2017–18 contracts are projected to under earn. Determination of contract earnings will be based on the Budget Act Amendment

Maximum Reimbursable Amount (MRA) and will not include funds received via a FY 2017–18 one-time augmentation or the voluntary temporary transfer of funds process.

If 2017–19 CAPP7 contract funds remain unspent in FY 2018–19, CDNFS will process another contract amendment to extend the contract an additional 12 months, i.e. to June 30, 2020. This subsequent amendment will be processed in June 2019.

Initial FY 2018–19 Contracts

All CAPP contractors will receive their FY 2018–19 contract with a contract period July 1, 2018 through June 30, 2019 and under the normal timeframe, i.e. at the end of May or towards the beginning of June. Contractors are encouraged to sign and return their FY 2018–19 contract as soon as possible in order to receive an initial advance apportionment associated with FY 2018–19 contracts timely. Initial 2018–19 apportionments will be processed regardless of contract under- or over-earning the FY 2017–18 contract.

Reporting Instructions

CAPP contractors that are fully expending their FY 2017–18 contract within the original contract period will not receive an amendment to extend the contract period, and will report income and expenditures for their FY 2018–19 contract on their FY 2018–19 CDNFS report form as normal.

CAPP contractors that receive an amendment to extend the contract period to June 30, 2019 must fully expend and report to the FY 2017–19 CAPP7 contract before reporting against the FY 2018–19 CAPP8 contract. Program related expenses reported in the second year of the FY 2017–19 CAPP7 contract will be reimbursement-based, and not projected through the end of the 2018–19 fiscal year. Contractors will be responsible for ensuring that expenditures are reported correctly, and not reported to both active contracts. Contractors that have FY 2017–19 CAPP7 contract funds remaining unspent are encouraged to report monthly to ensure the timely reimbursement of expenses. Below is an example of how an agency would report with two active contracts, i.e. FY 2017–19 and FY 2018–19.

In FY 2017–18 an agency's FY 2017–19 CAPP7 contract MRA is \$200,000. Based on the June Year End Report the program earned \$190,000, with \$10,000 remaining unspent in the CAPP7 contract. The agency will receive a contract amendment in June 2018 to extend the contract period through June 30, 2019. The remaining \$10,000 will need to be expended in FY 2018–19 and reported on the report form for the 2017–19 CAPP7 contract before the agency may begin reporting to the FY 2018–19 contract (CAPP8).

In July 2018 the agency has service and administrative costs totaling \$15,000. This agency is instructed to submit two July 2018 reports, accounting for the \$10,000 in costs to the CAPP7 contract and \$5,000 in costs to the CAPP8 contract. Based on this July reporting, the agency would receive the \$10,000 in reimbursement associated with the CAPP7 contract, and \$5,000 would be included in accrued 2018-19 costs reported to the CAPP8 contract, which would be used to project contract earnings for FY 2018–19.

If the FY 2017–19 CAPP7 contract was not fully expended based on the July 2018 report, then the agency would continue to report to the CAPP7 contract each month until it has been fully expended.

The online report submission page has been updated to allow agencies to select the appropriate contract period when reporting income and expenditures. CAPP contractors will first select the reporting period of the applicable contract(s). CAPP contractors with a multi-year 2017–19 contract will be able to select their CAPP7 or CAPP8 contract number after selecting a reporting period that overlaps two active contracts. For example, choosing the reporting period of July 2018 will allow under-earning agencies to report to either their CAPP7 contract or their CAPP8 contract. Selecting the CAPP7 contract will open a report form for July 2018 with Column A auto populated with cumulative prior period data from their June 2018 report. Contractors will report actual July income and expenditure data in Column B, representing the current period data associated with the CAPP7 contract, and Column C will auto sum Columns A and B. Upon the first report to the CAPP8 contract, Column A will be and should remain blank, indicating that no cumulative prior period data has been reported to the CAPP8 contract to date.

Contractors are reminded of accounting and reporting requirements set in the Funding Terms and Conditions, which require all provisional and conditional contractors to report monthly and all other contractors to report quarterly. Timely reporting is required for all contracts, regardless of whether or not the contract has been fully expended. For example, if an agency reports all expenses related to a 2017–19 CAPP7 contract by September 2018, the agency must continue to submit quarterly reports until the end of the contract period.

Change in CAPP Apportionment Schedule

Previously, CAPP contractors received an initial advance apportionment of 25 percent of the MRA at the beginning of each fiscal year, and thereafter would be advanced up to 8.3 or 8.4 percent each month. After review of historical CAPP earnings, the CDE has determined that the 25 percent advance is not sufficient to cover the first quarter expenses for a majority of CAPP contractors. Therefore, the Apportionment Schedule has been revised for CAPP contractors beginning July 1, 2018. This revised schedule is outlined on the following page. Initial advances will equal 33 percent of the CAPP contract MRA, and up to 7.4 or 7.5 percent each month thereafter, depending on the agency's report data.

| Month Advance is Received | CAPP Programs % of MRA | CAPP Programs Cumulative % |
|---------------------------|---------------------------|-------------------------------|
| July | 11.10% | 11.10% |
| August | 11.10% | 22.20% |
| September | 11.10% | 33.30% |
| October | 7.50% | 40.80% |
| November | 7.40% | 48.20% |
| December | 7.40% | 55.60% |
| January | 7.40% | 63.00% |
| February | 7.40% | 70.40% |
| March | 7.40% | 77.80% |
| April | 7.40% | 85.20% |
| May | 7.40% | 92.60% |
| June | 7.40% | 100.00% |

CAPP Over-enrollment Reminder

CAPP contractors are reminded of the direction provided in the March 12, 2018 email released by the Early Education and Support Division notifying contractors that the fund sources previously available to reimburse programs for over-enrollment will not be available in FY 2018–19. Going forward, the only additional funding available will be through the contingency fund application process, which is a limited fund source in any given fiscal year. Therefore, it is critical that enrollment and projections are monitored closely, and budgets prepared do not exceed the contract MRA. Multi-year CAPP contracts and the ability for funds to be utilized in subsequent years may impact enrollment projections in subsequent years, and it is the responsibility of the contractor to determine what that impact will be and how enrollment will be managed from one fiscal year to the next.

If you have questions regarding any of the information in this letter, please contact your assigned fiscal analyst.

Sincerely,

Original Signed by Eddie Yamamoto

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 Child Development and Nutrition Fiscal Services
 Fiscal and Administrative Services Division

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