



CALIFORNIA DEPARTMENT OF EDUCATION

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STATE SUPERINTENDENT OF
PUBLIC INSTRUCTION

September 7, 2018

Dear Executive Directors, Child Care and Development Programs:

2018–19 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, 2018. Please share this letter with your agency staff.

BUDGET ACT CHANGES

The Child Development and Nutrition Fiscal Services (CDNFS) unit intends to process contract amendments as a result of the enacted 2018 Budget Act in the month of September 2018.

Standard Reimbursement Rate Increase

The Budget Act of 2018 (Senate Bill 840, Chapter 29), includes increases to the Standard Reimbursement Rate (SRR) effective July 1, 2018 for General Child Care (CCTR), Migrant (CMIG), Handicapped (CHAN), and the California State Preschool Program (CSPP). Rates for each program include a 2.795 percent increase to the SRR and a 2.71 percent Cost of Living Adjustment (COLA). This increases the SRR for CCTR and CMIG contracts to \$47.98. The SRR for CSPP contracts has been increased to \$48.28 for full-day care, and \$29.90 for part-day care.

Adjustment Factor Changes

The Budget Act of 2018 (Assembly Bill (AB) 1808, Chapter 32), includes an increase in adjustment factors to reflect the additional expense of serving children who meet specified special criteria. This includes CCTR and CMIG adjustment factor categories for infants, toddlers, children with exceptional needs, and severely disabled children, as well as CSPP adjustment factor categories for children with exceptional needs and severely disabled children. Additionally, the adjustment factors utilized for infants and toddlers in a family child care home setting are now the same as those utilized by a child day care center. These adjustment factor increases are effective January 1, 2019.

Because this is a mid-year increase, the adjustment factor implemented for fiscal year (FY) 2018–19 will be prorated. The FY 2018–19 adjustment factors will be an average

September 7, 2018

Page 2

of the FY 2017–18 adjustment factors which are in effect through December 31, 2018, and the adjustment factors effective January 1, 2019.

Adjustment Factor Category	FY 2018–19 CCTR Full-Time Adjustment Factor	FY 2018–19 CSPP Full-Time Adjustment Factor	FY 2019–20 CCTR Full-Time Adjustment Factor	FY 2019–20 CSPP Full-Time Adjustment Factor
Infants 0–18 Months	2.07	N/A	2.44	N/A
Toddlers 18–36 Months	1.6	N/A	1.8	N/A
Exceptional Needs	1.37	1.37	1.54	1.54
Severely Disabled	1.715	1.715	1.93	1.93

The new adjustment factors are reflected on the updated Attendance and Fiscal reports (CDNFS 8501 and CDNFS 9500).

Regional Market Rate Reimbursement Ceilings

The Budget Act of 2018 maintains the current Regional Market Rate (RMR) ceilings at the greater of either the 75th percentile of the 2016 RMR Survey, or the RMR ceiling as it existed on December 31, 2017, whichever is higher. Additionally, the license-exempt child care provider ceilings remains at 70 percent of the established Family Child Care Home (FCCH) ceiling. The RMR ceilings, which incorporate the hold harmless clause described above, can be found at <http://www3.cde.ca.gov/rsccl/>.

Alternative Payment Slots

The Budget Act provides for additional alternative payment slots. Beginning July 1, 2018, federal funding for 11,307 slots was made available through June 30, 2022. Beginning September 1, 2018, State funding will become available for 2,100 slots. The California Department of Education (CDE) is developing a methodology for distributing the funding related to these slots, which will be included in each contractor's forthcoming Budget Act amendment.

ATTENDANCE AND FISCAL REPORTS

Updated Report Forms

Current year Attendance and Fiscal Reports must be submitted on the report forms provided at the following link <https://www.cde.ca.gov/fg/aa/cd/cdnfsforms18.asp>. If an agency utilizes attendance and fiscal reporting software that generates the report, the generated report must match the most recently updated version of the report form. Be aware that these forms are updated annually. As stated above, the adjustment factors for various special criteria have been updated and will be reflected on relevant forms. Note that the section to report infants and toddlers served in family child care homes has been removed from form CDNFS 9500 because those children are now receiving

the same reimbursement as those served in a child day care center and should be reported in the appropriate age and time base category.

Due to updates to Section 508 of the federal Rehabilitation Act, CDE has moved to ensure that information and communications technology is accessible to persons with disabilities. This includes worksheets such as CDNFS reporting forms. FY 2018–19 forms are being revised and will be posted on the CDNFS webpage as soon as possible. Communications will be sent when forms become available.

As a reminder, reports are not considered complete unless all required fields have been filled out. When completing the report forms, 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 will automatically populate on the other pages of the reports once they have been entered.

Reporting Procedures

Contractors are reminded of the importance of accurate reporting. Data reported on CDNFS report forms must adhere to all applicable laws, regulations, and the funding terms and conditions of the contract. It is recommended that all child development programs periodically review and update written policies and procedures related to enrollment, attendance, income and expenditure reporting. The beginning of a fiscal year is a good time to do so. Additionally, it is recommended that clear written procedures are developed to ensure accurate reporting to the CDNFS, which may include a procedure for data reconciliation.

Revised Reports

Contractors may submit revised reports throughout the contract period, however, a revised report must be complete in order to be accepted. Revised reports must include all pages, corrected data columns, a new original signature, and a comment explaining what data was revised. Incomplete or unsigned reports will not be accepted.

When correcting errors from a prior reporting period, adjustments on the revised report must be made to the “Cumulative Prior Period” column (Column 1); adjustments to a prior period should not be made in the “Current Period” column (Column 2).

Reporting Expenses

All expenses related to child development programs that are reimbursable to the contract should be reported on CDNFS report forms. This includes salaries, operating expenses, and supplies. CDNFS calculates projections based on data provided by programs and the omission of expenses could lead to a cash flow shortage for your program. We encourage a thorough review of program expenses to ensure that all reimbursable expenses are being reported appropriately on CDNFS report forms.

Additionally, it is required that costs are accrued and reported as such. Costs are projected by CDNFS to determine payment and the effect of reporting costs on a cash basis is an under- or over-payment. To ensure proper cash flow, and to remain in compliance with the funding terms and conditions of the contract, it is imperative that programs accrue their costs.

COMMINGLING OF TRANSITIONAL KINDERGARTEN AND PRESCHOOL CHILDREN

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

Contractors shall report the services, revenues, and expenditures for the California State Preschool Program (CSPP) children on form CDNFS 8501, the fiscal and attendance report form for CSPP programs. Contractors are not required to report services, revenues, and expenditures for the children enrolled in the transitional kindergarten program on form CDNFS 8501.

ALTERNATIVE PAYMENT CONTRACTS

California Alternative Payment Program Multi Year Contracting

Assembly Bill 1106 amended *EC* Section 8220.1 to extend the time period California Alternative Payment Program (CAPP) contractors may expend contract funds in a given fiscal year (FY). To implement this change, under-earned CAPP contracts were amended to extend the period of the contract from one fiscal year to two fiscal years, allowing under-earning agencies to fully expend the contract Maximum Reimbursable Amount (MRA) in the upcoming year. The extension of these contracts results in two active contracts that overlap in FY 2018–19: a 2017–19 contract, or CAPP7, and a 2018–19 contract, or CAPP8. For more information on the implementation of AB 1106, please refer to the “CAPP Multi-Year Contracts APSC % Change” letter dated June 1, 2018.

CAPP contractors that receive an amendment to extend the contract period to June 30, 2019 must fully expend and report to the 2017–19 CAPP7 contract before reporting to the 2018–19 CAPP8 contract. A worksheet has been created to help agencies identify which active contract the expenses for a given report month should be reported. Under earning agencies will receive this worksheet via email from their CDNFS fiscal analyst. The worksheet suggests how to split the expenditures between the CAPP7 July report and CAPP8 July report in a way which completely earns the CAPP7 contract and identifies the remaining expenditures to be reported to the CAPP8 contract.

The need for a contract period extension was based on June 2018 report data and determined in July 2018. If a revised June 2018 report results in the need for a contract period extension, programs will be contacted by their CDNFS analyst.

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.

FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

The California Department of Education implemented the Financial Information System for California (FI\$Cal) beginning fiscal year 2018–19. While the CDE began transacting in July 2018, payments for child development programs have continued to be processed through the prior accounting system. The CDE Accounting office has been making efforts to gather all necessary documentation from programs in order to begin transacting in FI\$Cal. This will likely begin to occur for child development programs within the next two months.

Once transactions are processed in FI\$Cal, the remittance advice that accompanies the warrant will also be generated by the new accounting system. The remittance advice generated by FI\$Cal will not itemize payments by contract number and project cost account (PCA), as they were previously displayed. For this reason, CDNFS is working to establish a web-based application for programs to access and view payment data. More information about this application, as well as other updates related to the implementation of FI\$Cal, will be shared as it becomes available.

FISCAL YEAR 2018–19 TRANSFER PERIODS

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 2018–19, 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:

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 (PCA 23038) cannot be transferred into a CCTR contract, so contractors must be aware of the funding structure in their contracts prior to submitting a transfer request. As a reminder, Local Education Agencies (LEAs) and Community College Districts (CCDs) CSPP contracts are funded entirely by Proposition 98 funding. This change in the appropriation for State Preschool began in FY 2015–16 and remains in FY 2018–2019.

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 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 website at <http://www.cde.ca.gov/sp/cd/ci/cddforms.asp>. For further information or instructions on completing this form, please contact your EESD Field Services Consultant.

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

January 1–15, 2019

There are two letters for this period: one to request a transfer for the current year and one to request a transfer for FY 2019–20. 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, 2019

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 2019–20 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 will be between November 1 and November 15, 2018; the final opportunity will be between May 1 and May 15, 2019.

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 Nutrition and Fiscal Services
1430 N Street, Suite 2213
Sacramento, CA 95814

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

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

ONLINE RESOURCES

Alternative Payment Resources

CDE's website has been updated to include a page specifically for Alternative Payment and CalWORKs contractors. Contract resources including RMR ceilings, contingency fund applications, a link to the online reporting system, and PowerPoint presentations. These resources can be found at <https://www.cde.ca.gov/fg/aa/cd/alternativepmt.asp>.

September 7, 2018

Page 8

Analyst Directory

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

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

Sincerely,

Andrea Cameron-Johnson, Staff Services Manager II
Child Development and Nutrition Fiscal Services
Fiscal and Administrative Services Division

ACJ:yd