

This is a message from the California Department of Education (CDE), Early Learning and Care Division (ELCD).

Hazardous Pay and Stipends for Employees funded with Early Learning and Care Contracts

Attention: Executive Directors and Program Directors of Early Learning and Care Programs

Early Learning and Care contract funding terms and conditions require that all contractors adhere to all State and Federal Regulations. Federal Regulations require stipends to be a pre-approved expenditure. Given that pre-approval was not authorized, the contractors should not issue stipends to employees utilizing CDE contract funds. However, contractors may issue hazardous pay to employees, consistent with 2 Code of Federal Regulations (CFR) 200.430, if they have the funding to do so. Please note that hazardous pay applies to those directly employed by the contracting agency and does not apply to providers.

Federal Regulation 2 CFR 200.430 and subsequent guidance provided throughout the COVID-19 pandemic supports compensation and extra pay so long as the agency ensures that the compensation:

- Is reasonable for the services rendered
- Is paid pursuant to an agreement entered into in good faith between the agency and the employee
- Conform to established written policies and procedures of the agency
- Is consistent applied to both federal and non-federal activities

Contractors may develop written policies and procedures that include the beginning of the pandemic, if necessary, in order to comply with these regulations and issue hazard pay. As stated in the fourth bullet above, contractors cannot differentiate between the funding source of each employee for the purpose of determining hazardous pay for each employee. Meaning, if a contractor has two employees with substantially similar duties, and the employees are funded by two different income sources, the two employees must receive similar hazardous pay, regardless of the availability of funds within each income source.