

August 25, 2025

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

EXECUTIVE SUMMARY

CHILD CARE BULLETIN (CCB) NO. 25-22

The purpose of the Child Care Bulletin (CCB) is to provide information to child care and development contractors regarding the utilization of contract funds for legal fees and provide further clarity as it pertains to allowable administrative costs for voucher-based contractors.



JENNIFER TROIA
DIRECTOR

CALIFORNIA HEALTH & HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



GAVIN NEWSOM
GOVERNOR

August 25, 2025

CHILD CARE BULLETIN (CCB) NO. 25-22

GUIDANCE TYPE: INFORMATIVE

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY CHILD CARE COORDINATORS
ALL CHILD CARE AND DEVELOPMENT CONTRACTORS

SUBJECT: UTILIZATION OF CONTRACT DOLLARS FOR LEGAL FEES

APPLICABLE PROGRAMS: CALIFORNIA ALTERNATIVE PAYMENT PROGRAMS (CAPP)
CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO
KIDS (CALWORKS), STAGE TWO (C2AP), AND THREE (C3AP)
FAMILY CHILD CARE HOME EDUCATION NETWORKS (CFCC)
MIGRANT ALTERNATIVE PAYMENT PROGRAM (CMAP)

REFERENCE: [WELFARE AND INSTITUTIONS CODE \(WIC\) 10229,](#)
[WIC 10229.4,](#)
[TITLE 5 OF THE CALIFORNIA CODE OF REGULATIONS \(5](#)
[CCR\), SECTION 18013\(c\), 5 CCR 18013\(s\), 5 CCR, SECTION](#)
[18034; 5 CCR SECTION 18035](#)

Purpose

The purpose of this Child Care Bulletin is to provide information to child care and development contractors regarding whether contract funds may be utilized for legal fees. This applies to situations in which contractors consult legal counsel regarding how to respond to child care provider questions and/or disputes arising out of collective bargaining obligations or the provisions of a memorandum of understanding between the State and a certified provider organization.

Background

The [Welfare and Institutions Code \(WIC\) Section 10229](#) and [WIC Section 10229.4](#) govern the administrative and support cost rates for alternative payment child care and development programs. Alternative payment programs (APP) contracts include funding for administrative and support services costs as APPs do not provide direct services to children in a child care setting.

[California Code of Regulations Title 5 \(5 CCR\), Section 18013\(c\)](#) defines “administrative costs” as costs incurred for administrative activities where neither the family, the child nor the service providers for Alternative Payment programs and family child care homes directly benefit from the activity.

[Assembly Bill \(AB\) 378 \(Chapter 385, Statutes of 2019\)](#) authorizes family child care providers, defined in [WIC Section 10421\(b\)](#) as licensed family child care home operators or license-exempt providers who participate in a state-funded child care and development program, to meet and confer with the state regarding matters within the scope of representation as established in [WIC Section 10424.5](#). Contractors are subject to the authority of charges of unfair labor practices pursuant to [WIC Section 10428.5](#) and of collectively bargained grievance procedures pursuant to [WIC Section 10424.5](#). An unfair labor practice is an action that violates labor laws and a grievance is a dispute involving the interpretation, application, or enforcement of the express terms of an agreement between the State and a certified provider organization.

Guidance:

This guidance clarifies the conditions under which legal expenses may be reimbursable under Child Care and Development contracts. Based on [5 CCR 18013\(s\)](#), expenses under the contract are allowable when “reasonable and necessary” for contract performance, and [5 CCR 18013\(g\)](#), stipulates that a “benefit to the state” means that the activity will improve knowledge or expertise in areas directly related to subsidized child care and development services. While [5 CCR Section 18034](#) outlines certain specific allowable costs, this list permits reimbursement for “reasonable and necessary” costs which include legal fees related to collective bargaining grievances. Furthermore, while [5 CCR Section 18035](#) defines legal costs related to bad debts, and for services incurred in prosecution of claims against the state as non-reimbursable costs utilizing contract funds, reasonable and necessary costs for legal fees are allowable.

Therefore, reimbursement for legal fees is permissible, provided these costs satisfy the following criteria:

- **Reasonable and Necessary:** Legal fees must constitute actual costs that are reasonable and necessary for contract performance. Reasonable costs are those that do not exceed what an ordinary and prudent person would incur. Costs qualify as necessary if they are essential to supporting the contractor's operations pertinent to the execution of the contract.
- **Directly Related to Contract Performance:** The legal services procured must be directly related to the administration and execution of the child care and development contractor's responsibilities. Such services include securing legal counsel or representation necessary for responding to inquiries, requests, or legal proceedings arising directly from the contractor's performance of the contract.
- **Categorization as Administrative Costs:** Eligible legal fees are categorized as Administrative Costs. As defined in [5 CCR Section 18013\(c\)](#), Administrative Costs are incurred for administrative activities where neither the family, the child, nor the service providers directly benefit. This category may include indirect costs which are defined as costs not readily assigned to a specific program item, but which otherwise benefit the organization. Legal fees that are reasonable, necessary, and pertain to the overall performance or administration of the contract, without directly benefiting clients or providers, fall within this administrative cost category.
- **Compliance with Administrative Cost Limitation:** Reimbursement for legal fees, which fall under the Administrative Cost category, must comply with the statutory limitation stipulated in [WIC Section 10229](#), whereby total administrative/support costs are restricted to a maximum of 17.5 percent of the annual contract amount.
- **Documentation:** Contractors are advised to maintain thorough documentation for all claimed legal expenses to demonstrate their reasonableness, necessity, and direct relation to contract performance, as well as their appropriate categorization within the administrative cost limitation.

If you have any questions or need additional guidance regarding the information in this letter, please contact your assigned [Program Quality and Improvement Branch \(PQIB\) Consultant](#).

Sincerely,

Original Document Signed By

LUPE JAIME-MILEHAM, EdD
Deputy Director
Child Care and Development Division