



Management Bulletin 24-11

Guidance on Cost of Care Plus Rate Allocations and Transitional Payments for the California State Preschool Program

Early Education Division

Subject: California State Preschool Program Cost of Care Plus Rate Allocations and Transitional Payments for Family Childcare Providers and Centers

Number: 24-11

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Expires: Until rescinded

Authority: Senate Bill (SB) 140 (Chapter 193, Statutes of 2023); Agreement between the State of California and the Child Care Providers United (CCPU) Union

Attention: Executive Directors and Program Directors of all California State Preschool Programs

Purpose

This Management Bulletin (MB) brings together various pieces of guidance for California State Preschool Programs (CSPPs) contractors on the Cost of Care Plus Rate allocations and Transitional Payments into one place for ease of contractors finding and utilizing the information successfully.

These funds were allocated via SB 140 (Chapter 103, Statutes of 2023) and ratified within the Agreement between the State of California and the CCPU Union.

Policy

SB 140 requires the California Department of Education (CDE) to issue (1) a Cost of Care Plus Rate allocation to family childcare providers and centers that operate a CSPP and (2) Transitional Payments for family childcare providers based on license size and for CSPP centers.

Cost of Care Plus Rate Allocations for Providers and Centers

The Cost of Care Plus Rate allocation is a monthly payment for providers, based on the number of children enrolled in a CSPP. These payments were issued to CSPP contractors beginning January 2024 and will continue through June 2025.

Allocations are based on a per-child rate amount dependent upon the region in which the family childcare provider or center is located, as well as a 10 percent administrative fee to CSPP contractors who need to distribute payments to family childcare providers or center subcontractors, as applicable. The regions and monthly per-child amounts are:

Region	Counties	Monthly Per-Child Allocation Amount
Central	Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Monterey, Sacramento, San Benito, San Joaquin, San Luis Obispo, Stanislaus, and Tulare	\$140
Northern	Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Mono, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba	\$141
Southern	Imperial, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura	\$160
Los Angeles	Los Angeles only	\$171
Bay Area	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma	\$211

To provide funding in a timely manner, the CDE is issuing Cost of Care Plus Rates as quarterly advances to CSPP contractors. Payment advances will be reconciled using the Monthly Child Care Population Report (CDD-801A) enrollment data submitted by contractors via the Child Development Management Information System (CDMIS) through fiscal year (FY) 2023–24 for all CSPP contractors. For the July 2024 enrollment period and beyond, payment advances for CSPP contractors that are local educational agencies (LEAs) will be reconciled using the monthly enrollment data submission in the California Preschool Data Collection (CAPSDAC) System. For CSPP contractors that are not CAPSDAC users (for example, Community-Based Organizations), CDMIS CDD-801A enrollment data will continue to be used for payment advances and reconciliations.

Note: Historically, CDMIS data has not been used in this manner to determine funding amounts. Submitting accurate and correct data in a timely manner into CDMIS and now CAPSDAC is critical as funding advances and true ups will be made based on CDMIS and CAPSDAC data, as applicable.

Transitional Payments for Providers and CSPP Centers

The CDE issued funds for the one-time Transitional Payments to CSPP contractors in FY 2023–24. These allocations were provided to all family childcare providers who were reimbursed for subsidized state preschool services in the month of April 2023 from the Subsidized Provider Report and to all centers that provided subsidized state preschool program services in April 2023 based on CDMIS data.

Transitional Payment allocations were determined as follows:

1. Two thousand five hundred dollars (\$2,500) per family childcare provider licensed to operate a small family childcare home.
2. Three thousand dollars (\$3,000) per center, including subcontracted center, and per family childcare provider licensed to operate a large family childcare home.
3. An additional allocation (5 percent) to CSPP contractors to cover the administrative costs associated with distributing these payments to providers or subcontractors.

Implementation Directives

Expected Date to Receive Allocations

Cost of Care Plus Rate Allocations

The CDE issued the first Cost of Care Plus Rate quarterly advance in January 2024. This initial advance was intended to provide funding to agencies for January through March 2024 allocations. Quarterly advances will continue to be issued to contractors at the start of each quarter to provide funding for agencies' Cost of Care Plus Rate allocations through June 2025.

Transitional Payments for Providers and CSPP Centers

In October 2023, the CDE allocated funding for Transitional Payments to CSPP contractors for distribution to family childcare providers participating in a CSPP Family Childcare Home Education Network (FCCHEN). The CDE allocated funding for Transitional Payments for CSPP centers in Spring 2024.

Requirements for Distributing Payments to Family Childcare Providers and Subcontractors

Cost of Care Plus Rate Allocations

For CSPP contractors who provide services through family childcare providers operating in their FCCHEN or who subcontract with centers, there are timelines for passing along the funds to the provider or subcontractor. Specifically:

- For contractors operating a FCCHEN, per the union agreement, funds must be distributed monthly to the family childcare provider within 21 calendar days of receiving the daily sign-in/sign-out sheets, as referenced in the *California Code of Regulations*, Title 5 (5 CCR) Section 17818.
- For contractors who provide services through subcontractors, funds must be distributed to subcontractors each month promptly following the last day of the month in which services are rendered. The CDE recommends these payments be made to centers who are subcontractors no later than 21 calendar days following the last day of the month in which services are rendered.

CSPP contractors are required to distribute the per-child Cost of Care Plus Rates to providers and subcontractors must not reduce the payment to the provider or subcontractor. As such, the payment to the provider or subcontractor should be based on the per-child amounts identified in the table above. If a child receives preschool services from more than one provider or subcontractor in a single month, each provider or subcontractor shall receive the full per-child payment.

Contractors who receive an additional allocation for administrative costs may retain the amount provided for this purpose.

Transitional Payments for Providers and CSPP Centers

For CSPP contractors who provide services through family childcare providers operating in their FCCHEN and/or who subcontract with centers, there are specific timelines for passing along the funds to the subcontractor or provider. Specifically:

- For contractors operating a FCCHEN, per the union agreement, funds were required to be distributed to the family childcare provider no later than November 30, 2023. CSPP contractors who were required to distribute the Transitional Payments to family childcare providers by this deadline were notified of these allocations and requirements via email by their fiscal analyst in October 2023 and via the Early Education Division (EED) email distribution list in November 2023.
- For contractors who provide services through subcontractors, funds must be distributed to subcontractors promptly upon receipt of the Transitional Payments. The CDE recommends these payments be made to centers who are subcontractors no later than 21 calendar days following receipt of funds.

CSPP contractors are required to distribute the Transitional Payments to providers and subcontractors must not reduce the payment to the provider or subcontractor. As such, the payment to the family childcare home provider should be either \$2,500 or \$3,000, dependent upon the license size, while payments to center subcontractors shall be \$3,000.

Contractors who receive an additional allocation for administrative costs may retain the amount provided for this purpose.

Allowable Uses

CSPP contractors who provide preschool services through a FCCHEN or a subcontractor are required to distribute these allocations to family childcare providers and/or subcontracting agencies. Contractors will receive a 10 percent administrative fee for distributing Cost of Care Plus Rate allocations to providers and/or subcontractors and a five percent administrative fee for distributing Transitional Payments to providers and subcontractors.

Cost of Care Plus Rate allocations, Transitional Payments and any administrative fees retained by the CSPP contractor are restricted funds and may only be used for any allowable expense that would be reimbursable under the CSPP contract. Contractors should review the Contract Terms and Conditions (CT&C) for Early Education Contractors for 2024–25, for more information on costs that are considered reimbursable and non-reimbursable.

The CDE highly encourages contractors, family childcare providers, and subcontractors to use these funds immediately to support CSPP program expenses and support immediate program needs, including addressing workforce challenges (including compensation); serving children with disabilities, dual language learners, children with behaviors that are challenging to adults, and implementation of the Classroom Assessment Scoring System (CLASS) and CLASS Environment.

Given the various workforce challenges CSPP contractors have shared, the CDE urges CSPP contractors to consider using these funds to provide compensation to employees. SB 140 includes the following language in both *Welfare and Institutions Code (WIC)* Section 10277.1(j), which applies to family childcare, and *WIC* Section 10277.2(i), which applies to centers:

"Nothing in this section shall be construed to limit the authority of childcare contractors and providers to pass on rates and one-time payments pursuant to this section to their employees in the form of compensation, including, but not limited to, salaries, wages, and direct benefits."

While employee salaries could be increased or contractors could decide to hire additional staff, each contractor would have to determine whether the increased wages could be supported within the CSPP contract's maximum reimbursable amount beyond these one-time allocations.

For more information on other possible uses for these funds, please refer to the frequently asked questions (FAQs) on recommended uses on the CDE Allocations Paid Outside of CSPP Contract FAQs web page, which can be found at <https://www.cde.ca.gov/fg/aa/cd/allocationsfaq.asp>.

Expenditure Deadline

Beyond the distribution timeframes, there is no deadline for contractors and subcontractors/family childcare providers to expend Cost of Care Plus Rate allocations or Transitional Payments. While there is no deadline to expend the funding from these allocations, the CDE highly encourages contractors, subcontractors, and family childcare providers to use these funds immediately to support CSPP program expenses and support immediate program needs, including addressing workforce challenges; serving children with disabilities, dual language learners, and children with behaviors that challenge adults; along with implementation of the new requirements around implementation of CLASS and CLASS Environment.

Reporting

Cost of Care Plus Rate allocations and Transitional Payments retained by the CSPP contractor must be used to support the CSPP. As such, these allocations shall be reported on the California Preschool Accounting Reporting Information System (CPARIS) Enrollment, Attendance, and Fiscal Reports in the same manner as other funding received to support the CSPP. Cost of Care Plus Rate allocations and Transitional Payments are restricted income and should be reported under "Restricted Income: Other Revenue." These funds should only be reported when the associated expenditures are also reported.

Payments made to family childcare providers should be reported in the Fiscal section of the Enrollment, Attendance, and Fiscal Reports under "Direct Payments to Providers (FCHC only)." CPARIS has been updated to include a line for reporting Cost of Care Plus Rate allocations and Transitional Payments made to subcontractors. Payments made to subcontractors should be reported under "Direct Payments to Subcontractors: Cost of Care Plus & One-Time Allocations Only." Administrative costs associated with distributing payments to providers and subcontractors should not be reported as a direct payment to providers or subcontractors. Contractors should report these administrative costs under the applicable expenditure categories 1000-5000.

Background and Authority

WIC Section 10424.5(a) authorizes a certified provider organization to collectively bargain with the state on various topics including reimbursement rates including, but not limited to, rate add-ons for providers.

Pursuant to the Public Employment Relations Board Certification SA-PC-1-N, the State recognizes CCPU as the certified provider organization as defined by WIC Section 10421(a), and as the exclusive negotiating agent for all family childcare providers as defined by WIC Section 10421(b).

On September 13, 2023, the state and the CCPU arrived at a Memorandum of Understanding (MOU) effective through July 1, 2025. This MOU includes Cost of Care Plus Rate allocations and Transitional Payments for family childcare providers.

SB 140 (Chapter 193, Statutes of 2023) ratified the Agreement between the State of California and CCPU and included language in WIC specifying the applicable processes for family childcare home allocations pursuant to the MOU (WIC Section 10374) while also extending the Cost of Care Plus rate to centers that are not part of the union in WIC Section 10280 and *Education Code (EC) 8242*.

Resources

If you have any programmatic questions regarding the information in this MB, please contact your assigned EED, Program Quality Implementation Office regional consultant. The CDE Consultant Regional Assignments Directory can be accessed at <https://www.cde.ca.gov/sp/cd/ci/assignments.asp>.

If you have any fiscal questions about the information in this MB, please contact your assigned Early Education Nutrition Fiscal Service fiscal analyst. The CDE Fiscal Analyst Directory can be accessed at <https://www.cde.ca.gov/fg/aa/cd/faad.asp>.

This MB is mandatory only to the extent that it cites a specific statutory or regulatory requirement. Any portion of this MB that is not supported by a specific statutory and/or regulatory requirement and is not prescriptive pursuant to California EC 33308.5.

Questions: Early Education Division | 916-322-6233

Last Reviewed: Monday, December 16, 2024