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Management Bulletin 25-10

Early Education Division

Subject: Support to California State Preschool Program (CSPP) Contractors on the Set Aside and Serving Children with Disabilities

Number: 25-10

Date: November 18, 2025

Expires: Until rescinded

Authority: California *Education Code (EC)* sections 8205, 8208, and 8244

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

Purpose

This Management Bulletin (MB) reminds California State Preschool Program (CSPP) contractors of the following:

- The enrollment requirement set aside for children with disabilities;
- Requirement that children with disabilities be educated in the least restrictive environment (LRE).
- Annual data reporting for children with disabilities; and
- Allowances for spending CSPP contract funds for children with disabilities.

NOTE: For the purposes of this bulletin, the term “children with disabilities” is used consistently to align with federal terminology under the Individuals with Disabilities Education Act (IDEA), which defines a “child with a disability” in Title 20 of the United States Code (20 U.S.C. § 1401(3)). In California statute, the *EC* also uses the term “children with exceptional needs” (see *EC* § 8205(h)), which is legally equivalent in application. Accordingly, throughout this bulletin, the terms “children with disabilities” and “children with exceptional needs” are used interchangeably.

This MB rescinds and replaces MB 23-02.

Policy

- All CSPP contractors are required to set aside five percent of their funded enrollment for children with disabilities during each program year.
- Contractors not meeting the enrollment set aside requirement must conduct community outreach to special education partners to recruit additional children with disabilities to enroll into their programs.
- *EC* sections 8208(c)(1) and (d)(2)(A) direct the California Department of Education (CDE) to establish a waiver process for CSPP contractors that are unable to meet the set aside requirement. This process will allow contractors to provide justification or demonstrate circumstances that warrant an exemption from conditional contract status, due to not meeting the set aside requirement. Conditional status indicates the contractor is out of compliance with statutory requirements and may face additional monitoring, corrective action, or restrictions until the set aside requirement is met. The first waiver application, beginning with the 2026–27 fiscal year (FY), will be available in fall 2027, with applications required thereafter as needed.
- The CDE will release further information about the waiver process at a later date.

Information for Implementation

Creating Classrooms that Support Children with Disabilities and Providing the Least Restrictive Environment for Children with Disabilities

Federal and state laws—including IDEA (20 U.S.C. § 1412(a)(5)(A)), Title 34 of the *Code of Federal Regulations* (34 C.F.R. § 300.114), and California *EC* § 56040—require that children with disabilities be educated in the least restrictive environment (LRE). That is, to the maximum extent appropriate, individuals with disabilities must be educated with children who are nondisabled, and special classes, separate schooling, or other removal of individuals with disabilities from the educational environment may only occur if the nature or severity of the disability is such that education in the regular classes with the use of supplementary aids and services cannot be achieved satisfactorily. Additionally, 34 C.F.R. §303.26 early intervention services for infants and toddlers with disabilities are provided to the maximum extent appropriate, in natural environments; and in settings other than the natural environment that are most appropriate, as determined by the parent and the Individualized Family Services Plan (IFSP) team, only when early intervention services cannot be achieved satisfactorily in a natural environment.

Pursuant to the IDEA, the Individualized Education Program (IEP) team is responsible for determining the placement of a child with a disability, taking into consideration the LRE provisions. The IEP team is required to include a general education teacher, and in preschool this role may be filled by a teacher from CSPP. When possible, CSPP staff may reach out to the child’s family or the IEP case coordinator or manager to request an invitation to the child’s IEP meeting. Contractors must make every effort to enroll children with disabilities proportionately throughout their program, including throughout all contracted counties, sites, and classrooms. Concentrating enrollment for children with disabilities in specific counties, sites, or classrooms does not align with the intent of the

new requirement to serve a certain percentage of children with disabilities in CSPP. The CDE will review program data to determine whether children with disabilities are enrolled in proportionate numbers across programs.

Determining the Funded Enrollment Associated with the Set Aside

The Early Education and Nutrition Fiscal Services (EENFS) unit developed the Exceptional Needs Funded Enrollment Calculator which contractors can use as a tool to help determine the number of children associated with the five percent set aside requirement. It is not a requirement to submit the Exceptional Needs Funded Enrollment Calculator to the CDE. Throughout the FY, if actual enrollment differs from the percentages originally entered in the Exceptional Needs Funded Enrollment Calculator, the contractor should update the assumptions used in the calculator. Updating the calculator will provide a more accurate number of slots associated with the set aside requirement. The Exceptional Needs Funded Enrollment Calculator, as well as a video walkthrough, is available on the CDE, [EENFS Funded Enrollment Resources](#) web page.

Children with Disabilities Annual Survey

Data related to children with disabilities will be collected via Snap Survey annually each fall. The survey will, at a minimum, collect information on how contractors met the enrollment set aside for children with disabilities and any outreach conducted when targets were not met. Survey questions will be posted on the CDE [Inclusive Early Education Resources](#) web page.

The information collected on the annual survey may slightly differ from year to year; however, the survey will always be centered around these three main data points:

- If the set aside was met, how the contractor was able to meet the set aside percentage of funded enrollment for children with disabilities;
- If the set aside was not met, why the contractor could not meet the set aside percentage of funded enrollment for children with disabilities;
- If the set aside was not met, what community outreach was conducted by the contractor to special education partners in order to recruit additional children with disabilities.

Any contractors with late survey submissions may have their CSPP apportionments withheld until that survey is submitted.

Monthly Enrollment Reporting Reminders

Contractors must follow current requirements in submitting data for CSPP children with an active IFSP or an IEP to the Child Development Management Information System (CDMIS) or the California Preschool Data Collection (CAPSDAC) System. For more information on CDMIS requirements, please visit the CDE [CDMIS Support](#) web page. For more information on CAPSDAC requirements, please visit the CDE [CAPSDAC Support](#) web page.

Contractor Enrollment, Attendance, and Fiscal Reporting Requirements and Reimbursement Reminders

Adjustment Factor for Children with Disabilities

To reflect the additional expense of serving children with disabilities in CSPP, *EC* Section 8244(b)(1) provides a 2.40 adjustment factor. To receive the exceptional needs and severely disabled adjustment factor, children must meet the definitions as stated in *EC* Section 8205(h) and/or 8205(s) and must have an active IFSP or IEP.

Reporting Days of Enrollment for Children with Disabilities

Contractors will report the days of enrollment for any child that qualifies as a child with a disability, including a child with severe disabilities, under the exceptional needs or severely disabled adjustment factor categories as appropriate on the Enrollment, Attendance, and Fiscal Report in the California Preschool Accounting Reporting Information System (CPARIS). When a child's days of enrollment are reported in the exceptional needs or the severely disabled adjustment factor category, the contractor must have also indicated that child as having an active IFSP or IEP on the monthly CDMIS or CAPSDAC report.

Reimbursement for Required Set Aside

Reporting days of enrollment in the exceptional needs or severely disabled adjustment categories allows CPARIS to correctly calculate reimbursement and ensures that the child is counted toward the set aside calculation.

To ensure funding is available to enroll children with disabilities within the required set aside, contractors will be fully funded for the percentage of funded enrollment set aside, pursuant to *EC* sections 8208(c)(2)(B) and (d)(2)(B)(ii). The CDE will advance the funding set aside for children with disabilities based on the normal apportionment schedule.

The CDE will determine the extent to which contractors are earning their set aside amount based on the child days of enrollment reported within the exceptional needs and severely disabled adjustment factor categories. Contractors who are not fully earning the amount set aside to serve children with disabilities will receive a service-level exemption credit, which allows the contractor to be reimbursed for identified expenses without meeting the service requirement.

The contract earnings calculations in CPARIS include the required set aside amount, the earnings associated with the set aside amount, and the service-level exemption credit. Contractors will be able to use this information to track their earnings related to the set aside amount. Additional information on how the CDE will apply the service-level exemption can be found in the [CDE EENFS Enrollment, Attendance, and Fiscal Reporting, and Reimbursement Procedures for Early Education Contractors](#) web page.

Spending Funds Related to Serving Children with Disabilities

The five percent set aside requirement refers to the portion of a contractor's CSPP funded enrollment that must be reserved for serving children with disabilities. The set aside funding amount that is provided to contractors through a service level exemption credit are regular contract funds that can continue to be used on any allowable program expense reimbursable to the CSPP. However, the intent of the set aside is to support in providing access, participation, and supports for children with disabilities; therefore, the CDE strongly encourages contractors who have not been able to fill their set aside to use the contract funds on activities to further support the intent of the set aside.

Contractors who have not yet filled their set aside may use the funds for one-time costs in addition to ongoing costs, as needed. However, contractors must ensure that they can absorb the additional costs associated with enrolling more children with disabilities. Contractors who have already met the set aside requirement are free to use contract funds for a mix of ongoing and one-time costs as they see fit.

Some examples of one-time costs, include, but are not limited to:

- Adaptive equipment (inside or outside equipment and/or materials)
- Accessibility renovations or construction for meeting Americans with Disabilities Act compliance
- Professional development
- Parent education
- Community outreach events and efforts

Some examples of ongoing costs include, but are not limited to:

- Staffing to support serving children with disabilities.
- Job-embedded coaching to support classroom staff;
- Early Childhood Mental Health Consultation services;
- Possible costs associated with transporting children with disabilities to the CSPP classroom.

Contractors shall ensure they are obtaining an equipment purchase approval from their Program Quality Implementation (PQI) office regional consultant if the purchase exceeds the capitalization level established by the contractor for financial statement purposes, or the threshold stated in annual CSPP Contract Terms and Conditions (CT&C).

NOTE: The Equipment Purchase Approval Request (EPAR) process has been updated in the CT&Cs for fiscal year (FY) 2025–26. Contractors are required to follow the CT&C for the most updated information on the EPAR and subcontracting processes.

Reporting Unearned Prior Year Service-Level Exemption Credit

In instances when a contractor does not fully spend the amount advanced by the CDE to serve children with disabilities through the required set aside within the fiscal year in which it was provided, they may receive additional revenue from their CSPP contract that otherwise would not have been apportioned. At this time, the CDE will not invoice CSPP contractors for any unused service level exemption credit. Instead, these funds are considered deferred revenue, and contractors may use this revenue to support contract expenses in future fiscal years. The CDE recommends that the deferred revenue related to unspent prior year service level exemption credits should be spent prior to other income sources, including current year contract funds.

The deferred revenue must be reported in the Enrollment, Attendance, and Fiscal Reports as restricted income on the line *Restricted Income: Exceptional Needs/Severely Disabled Service Level Exemption Credit*. As with all other revenue, these funds should only be reported when the associated expenditures are also reported.

Note that the amount of deferred revenue that a contractor can utilize in subsequent FYs may be less than the service-level exemption credit reflected in the contractor's earnings calculation in CPARIS. The amount of deferred revenue is dependent upon the contractor's expenditures reported within the same FY the credit is calculated. Beginning with FY 2025–26 final and audited contract earnings calculations, the amount of deferred revenue will be indicated on the line *Actual Exceptional Needs/Severely Disabled Service Level Exemption Credit Deferred Revenue in Future Fiscal Years*.

Reporting Expenses Related to Serving Children with Disabilities

All expenses reimbursable to the CSPP must be reported within the appropriate expense categories in the Enrollment, Attendance, and Fiscal Reports.

Background and Authority

On June 30, 2022, the Governor signed the FY 2022–23 Budget Trailer Bill for the Early Education Act, Assembly Bill (AB) 210, which amended *EC* sections 8205, 8208, 8210, 8211, and 8244 to change contractor requirements regarding children with disabilities in CSPP programs.

On September 27, 2022, the Governor signed AB 185 (Chapter 571, Statutes of 2022), which amended *EC* sections 8208, 8210, and 8211 to provide additional clarification on contractor requirements regarding children with disabilities in CSPP programs.

On September 13, 2023, the Governor signed Senate Bill (SB) 141 (Chapter 194, Statutes of 2023), which amended *EC* Section 8208 to change the timeline for phase-in implementation of the set aside and potential penalties/waivers regarding children with exceptional needs in CSPP. This bill extended the five percent set aside requirement for children with exceptional needs through FY 2024–25, with the percentage increasing to 7.5 percent in FY 2025–26 and 10 percent in FY 2026–27. On July 2, 2024, the Governor signed SB 163 (chapter 73, statutes of 2024), which amended *EC* Section 8208 to change the set aside requirement and have it stay at five percent for FY 2022–23 and beyond.





On January 6, 2025, changes to Title 5, Division 1, Chapter 18.5 Eligibility and Priority Regulation changes became effective for CSPP. These updated regulations include information on the funded enrollment set aside for children with disabilities, the documentation needed for children with disabilities, and clarification to family fees for children with disabilities whose IEP or IFSP indicates the CSPP as the child's offer of a free and appropriate education also known as FAPE.

Some of these changes reflect priorities outlined in the Policy Statement on Inclusion of Children *with Disabilities in Early Childhood Programs*, jointly issued by the U.S. Departments of Health and Human Services and Education. Originally released in 2015 and updated in 2023, the statement affirms that all young children with disabilities should have access to high-quality inclusive early childhood programs and outlines expectations for implementing inclusive practices across early learning systems.

Resources

For more resources on serving children with disabilities, the special education assessment and evaluation process, developmental milestones, making referrals and more, please visit the [CDE Inclusive Early Education Resources](#) web page.

For Community Outreach on Children with Disabilities:

- Regional centers provide and coordinate services and supports for individuals with developmental disabilities. Contractors should contact their [local regional center](#)  to share information on the availability of CSPP for children with disabilities.
- The Early Start program is California's early intervention program for infants and toddlers with disabilities and their families. [Early Start services](#)  are available statewide and are provided in a coordinated, family-centered system.
- [Family Empowerment Centers \(FECs\)](#)  provide training and information to families of children and young adults with disabilities, between the ages of three and twenty-two in California.
- [Family Resource Centers](#)  provide resources and support for families. Visit Family Resource Centers for more information.
- All school districts and county school offices have [Special Education Local Plan Areas \(SELPA\)](#) consortiums to provide for all special education service needs of children residing within the regional boundaries. The CDE website lists all of the SELPA regions with contact information.

If you have programmatic questions related to this MB, please contact your assigned CDE, EED, [PQI office regional consultant](#).

If you have fiscal questions regarding the information in this MB, please contact your assigned [EENFS fiscal analyst](#).

All answers can be found on the [Frequently Asked Questions \(FAQs\)](#) web page.

This MB is mandatory only to the extent that it cites a specific statutory or regulatory requirement, and is not prescriptive, pursuant to *EC* 33308.5.

Questions: Early Education Division | 916-322-6233

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