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Management Bulletin 09-07

Child Development Division

Subject: The Implementation of California <i>Education Code</i> Section 8275.5	Number: 09-07
Authority: California <i>Education Code</i> sections 8275.5, 8499.5, and 8279.3.	Date: July 2009
	Expires: Until Rescinded

Attention: Executive Directors and Program Directors of all Child Care and Development Programs

Purpose

The purpose of this Management Bulletin (MB) is to instruct the California Department of Education (CDE) child care and development contractors on the process by which California *Education Code* (EC), Section 8275.5, will be implemented at the local level. EC Section 8275.5 states: "The State Department of Education shall promote full utilization of child care and development funds and match available unused funds with identified service needs...the department shall arrange interagency adjustments between different contractors with the same type of contract when both agencies mutually agree to a temporary transfer of funds for the balance of the fiscal year." This new process would be effective July 1, 2009.

Background

EC Section 8275.5 was added in 2008 to ensure all child care and development funds appropriated are fully utilized within the fiscal year (FY). The statute provides authority for the temporary, voluntary transfer of contract funds between like contracts. During FY 2008-09, CDE reviewed potential solutions to unearned contract balances. For FY 2009-10, the CDE determined that a locally facilitated process might be more successful at:

- aiding contractors willing to participate in this local process to self identify; and
- developing a process to match available funding sources with existing contractors so they would be able to fully utilize the child development funds within their respective counties during the fiscal year.

The purpose of this MB is to describe the process for affecting this temporary, voluntary transfer of funds and clarify the role of the Local Child Care and Development Planning Councils (LPCs) in facilitating this process. This MB clarifies that the LPCs are facilitating potential transfer requests between willing contractors to assist the CDE in maximizing fiscal resources and utilization of child development funding between Child Development Division (CDD) funded agencies. The CDD contract fund transfers are **temporary** and **voluntary** between CDD funded agencies who agree to be involved in this process. The LPCs are **neutral facilitators** and provide an environment where interested parties can meet and discuss these issues. The process, as proposed, is intended to provide local counties with the flexibility to match funding levels to service needs.

From 2003 to present, San Mateo County continues to participate in a local subsidy pilot program designed to implement individualized county child development service subsidy plans. The plans are used to ensure that child development subsidies address local community and family needs, conditions, and priorities. The temporary, voluntary child development fund shift has been successfully completed and fully documented numerous times in San Mateo County. In San Mateo, the Local Planning Council (LPC) is the local entity that coordinates this voluntary movement of contract funds. Based on this successful model, the CDE is initiating a statewide process in FY 2009-10. LPCs in each county are charged pursuant to EC Section 8499.5 with the responsibility to conduct a periodic review of child care programs funded by the CDE and California Department of Social Services (DSS) to determine if identified priorities are being met. Therefore, they are able to assist and facilitate a local process in the voluntary transfer of CDD contract funds between CDD funded agencies.

Process for identifying the voluntary transfer of Child Development contract funds within the fiscal year:

- In order to successfully identify potential transfer agencies, the LPC in each county will convene meetings with CDD contractors to discuss the new temporary, voluntary transfer process and its potential for serving more children. This meeting will take different forms appropriate to counties of different sizes and the geography of the county.
- CDD funded agencies will need to self-identify if they are interested in releasing funds or accepting funds on a temporary basis and how much they are planning to release or need.
- Should the amount of funds voluntarily released by CDD contractors be insufficient to meet the demand of CDD contractors that can provide more service and use the funds, the LPC should consider the provision of services in priority areas of greatest need first.
- The CDD funded agency that will receive the funds must be in good standing, in full compliance with the Funding Terms and Conditions of their contract and all statutory and regulatory requirements, and must be able to demonstrate that it can utilize the funding immediately to serve children. CDE staff will verify if the agency that is receiving the funds is in good standing and

meets all of the necessary requirements to accept additional funding. The child development agencies that would be identified as being able to receive additional funding must verify, in writing, that they are currently able to serve children **immediately**.

- Each LPC will establish, adopt, and approve a local procedure to ensure a fair and transparent process to avoid any potential conflicts of interest that may arise.
- Although each LPC may approach the actual facilitation differently, they will all operate under the same fiscal rules, time lines, and use standardized forms and procedures to transmit written requests for transfers to CDE fiscal staff and CDD field services consultants.
- The LPCs may only act in a facilitation role assisting the CDE in maximizing fiscal resources and utilization of child development funding between CDD funded agencies. **The LPC has no authority or approval responsibility in this process.**

CDD contractors will have two opportunities per fiscal year to request a transfer of funds. Requests must be submitted to the LPC between **November 1 and November 15 or May 1 and May 15** of the same fiscal year that the transfer will take place. The LPC must then forward all transfer requests to CDE between **November 1 and November 15 or May 1 and May 15** of the same fiscal year that the transfer will take place. The LPC will provide each CDD contractor who has voluntarily agreed to temporarily transfer contract funds with a form letter of request to be completed, printed on agency letterhead, and signed by the agency authorized representative to enter into this voluntary contract arrangement. A similar form letter will be provided to the CDD contractor who has voluntarily agreed to accept temporarily transferred contract funds for the remainder of the fiscal year, which must also be completed, printed on agency letterhead, and signed by the agency authorized representative to enter into this voluntary contract arrangement. The LPC will facilitate in the transfer of this information to CDE fiscal staff and CDD field services consultant staff for final consideration and approval.

The CDE will approve or deny any request to either transfer or receive contract funds under this process. Both CDE fiscal staff and CDD field services consultants will carefully review all of the material submitted, as well as other information pertinent to the process, and make the final decision. In no instance will approval be given to an agency requesting additional funds in order to increase a CDD contractor's reserve account. These requests will be automatically denied.

Nothing in this Management Bulletin prohibits a CDD contractor from independently contacting the CDE staff and requesting that funds be either voluntarily transferred or requesting that funds be provided for the remainder of the fiscal year. CDE staff will assume responsibility for facilitating and approving or denying these requests, and would require that the same documentation be provided. There must be assurances from the requesting contractor(s) that they fully comprehend that this is a temporary, voluntary process, and that the funds would be fully utilized to serve children in the same fiscal year.

This is a temporary transfer of CDD contract funds for the fiscal year only. With one exception, CDD contracts will return to their previous Maximum Reimbursable Amounts (MRAs), subject to continued funding appropriated in the annual Budget Act. If an under-earning agency voluntarily transfers contract funds but has their MRA reduced in contract review, their contract will not return to its previous MRA. A transfer of contract funds does not exempt agencies from the Child Development Fiscal Services annual contract review process.

If you have any questions, please contact Linda M. Parfitt, Consultant, Child Development Division, at 916-322-1048 or by e-mail at lparfitt@cde.ca.gov.

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

Questions: Child Development Division | 916-322-6233

Last Reviewed: Friday, August 14, 2009