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# Alternative Payment Programs Reporting Essentials and Contract Changes

**CHILD DEVELOPMENT & NUTRITION FISCAL SERVICES**

August 15, 2018

**CALIFORNIA DEPARTMENT OF EDUCATION**

Tom Torlakson, State Superintendent of Public Instruction



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# Topics to be Discussed:

- New Web page for Alternative Payment (AP) Contractors
- Reporting Requirements
  - Reporting Deadlines
  - Importance of Reporting Caseload and Fiscal Data Accurately
  - CalWORKs Projections
- Contract Changes for Alternative Payment Programs
  - Multi-Year Contracting
  - Change to Apportionment Schedule



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# New Web Page for Alternative Payment Contractors



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# Alternative Payment Web Page

- The Child Development and Nutrition Fiscal Services (CDNFS) Unit has created a new Web page for our AP contractors and can be found at:  
<https://www.cde.ca.gov/fg/aa/cd/alternativepmt.asp>
- This Web page includes resources specific to AP programs, such as:
  - Link to the online reporting system for AP contracts
  - Recorded Presentations:
    - Alternative Payment Programs Fiscal and Caseload Report Presentation
    - Contingency Funds Informational Video
  - Fiscal Year (FY) 2018 – 19 Alternative Payment Contract Changes Letter
  - Link to the Regional Market Rate Ceilings



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# Reporting Requirements



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# Types of Alternative Payment Programs

There are four types of AP Programs:

1. CAPP – Alternative Payment
2. CFCC – Family Child Care Home Education Networks
3. C2AP – CalWORKs Stage 2
4. C3AP – CalWORKs Stage 3



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# Reporting Deadlines

- Reporting deadlines for AP programs varies by program type, as outlined in the table below.

Program Type	Fiscal Report	Caseload Report
C2AP	Monthly	Monthly
C3AP	Monthly	Monthly
CAPP	Quarterly*	N/A
CFCC	Quarterly*	N/A

\*Monthly reports required from conditional and provisional contractors.

- All reports are due by the 20<sup>th</sup> of the month following the end of the reporting period.
  - If the 20<sup>th</sup> of the month falls on a weekend or state holiday, the report is due by the close of business the next state working day.
- Reports are submitted and certified electronically via the internet at <http://www2.cde.ca.gov/cdfs/logon.aspx>



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# Importance of Stage 2 and Stage 3 Caseload and Fiscal Reporting

- Caseload and Fiscal Reports allow the California Department of Education (CDE) to track and project expected caseload on a contractor, county, and statewide level.
- State Level Projections
  - The annual Budget Act requires CDE to conduct monthly analyses of CalWORKs Stage 2 and Stage 3 caseload and expenditures.
- Contractor Level Projections
  - The Budget Act also mandates that Stage 2 and Stage 3 funding be distributed proportional to need.
    - CDNFS reviews reported fiscal and caseload data periodically to determine fiscal year estimated need.
    - This may result in either an augmentation or reduction to the contract's Maximum Reimbursable Amount (MRA) during the fiscal year.



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# Alternative Payment Fiscal Reporting Basics

- Fiscal Reports are required for all AP programs (i.e. C2AP, C3AP, CAPP, and CFCC).
  - AP contractors serving in multiple counties complete one fiscal report, which includes total revenue and expenses for all service counties.
- *California Code of Regulations, Title 5, Section 18063* requires all contractors to report expenditures using the **accrual** method of accounting.
  - Report costs as they are incurred or when goods are received – not as they are paid.
  - Fixed costs (i.e. insurance, utilities, rent) should be prorated and spread out over the entire contract period.



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# Fiscal Reports for all AP Contracts

- Calculates projected earnings and directly impacts apportionments.
- Report all revenue and expenses related to the AP program.
- Round all revenue and expenses to the nearest dollar.
- Negative numbers are not accepted on the online report forms.
- Do not report contract funds or unspent funds as revenue.



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# Alternative Payment Fiscal Report

- Structure of every fiscal report:
  - Column A represents cumulative revenue and expense total of the prior reporting period's revenue and expenses.
  - Column B represents revenue and expenses for the ***current reporting period only***.
  - Column C represents the fiscal year total to date (i.e. prior period + current period).
- Revisions to prior period data?
  - Never report negative numbers.
  - All adjustments are made to Column A, with an explanation in the comment section.



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# Audience Member Poll

An AP contractor submitted their May Report with their accrued projected provider payments. In June, the contractor made adjustments to their accrued provider payments and determined their actual and accrued provider payments for June.

SECTION II - EXPENSES	COLUMN A CUMULATIVE PRIOR PERIOD (Col. C Prior Report)	COLUMN B CURRENT PERIOD	COLUMN C CUMULATIVE FISCAL YEAR (Col. A + Col. B)
REIMBURSABLE EXPENSES			
9. Direct Payments to Providers <input type="checkbox"/>	\$ 227,173	\$ <input type="text"/>	\$ 227,173

By a show of hands, how should the contractor report their provider payments on the June Report?

- A. Report adjustments made in June and June provider payments in the current period, Column B?
- B. Report adjustments in the prior period, Column A and June provider payments in the current period, Column B?



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# Common Fiscal Reporting Errors

1. Making adjustments to prior period data.

SECTION II - EXPENSES	COLUMN A CUMULATIVE PRIOR PERIOD (Col. C Prior Report)	COLUMN B CURRENT PERIOD	COLUMN C CUMULATIVE FISCAL YEAR (Col. A + Col. B)
REIMBURSABLE EXPENSES			
9. Direct Payments to Providers	\$ 227,173	\$	\$ 227,173

**Intent:** Adjustments to previously reported data should always be made to column A, which represents the prior period.

**Common Error:** Reporting adjustments in Column B, which causes both the current and prior report data to reflect inaccurate figures.

**Effect on Statewide Projections:** Inaccurate average cost of care, revenue, and expenditures in a given month, directly affecting the projections we report to the Department of Finance every month.

**Fix:** Always record adjustments in column A and include an explanation in the comments section of the report. Recording adjustments correctly will not affect your apportionments, rather will allow CDE to accurately reflect the actual costs per month.

# Common Fiscal Reporting Errors (2)



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## 2. Provider Payment data.

SECTION II - EXPENSES	COLUMN A CUMULATIVE PRIOR PERIOD (Col. C Prior Report)	COLUMN B CURRENT PERIOD	COLUMN C CUMULATIVE FISCAL YEAR (Col. A + Col. B)
REIMBURSABLE EXPENSES			
9. Direct Payments to Providers	\$ 227,173	\$	\$ 227,173

**Intent:** *California Code of Regulations Title 5 (5 CCR), Section 18228* specifies that Alternative Payment contractors may offset the payment paid to the provider when their policy allows the providers to directly collect and retain family fees from the families they serve. The 5 CCR Section 18228(c) requires the contractor to report the family fee as revenue, even when the provider retains the family fee. Further, 5 CCR Section 18228(d) requires contractors to report the payment to the provider along with the family fees paid by the parent as an expense.

**Common Error:** Not reporting the family fees paid by the parent as an expense, when the fee is retained by the provider.

**Effect on Statewide Projections:** Lowers the average cost of care, which is a proxy in determining statewide projected expenditures.

**Fix:** Report all family fees as revenue and do not offset the amount of provider payments by the family fees retained by the provider.



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# Stage 2 and Stage 3 Caseload Report Basics

- Required for Stage 2 and Stage 3 contractors only.
  - Contractors serving in multiple counties must submit a caseload report for each service county.
- Caseload reports are not cumulative reports, therefore changes cannot be made to a single column.
- Revisions to reports?
  - Submit and certify a new report.
  - Notify your fiscal analyst that a new report has been submitted.
  - Your fiscal analyst will delete the previously submitted report.

# Common Caseload Reporting Errors



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1. Number of Stage 2 and Stage 3 children receiving services in the report month.

STAGE 2 CASELOAD	CURRENT PERIOD
1. Number of Stage 2 children receiving funded services in the report month.	58
STAGE 3 CASELOAD	CURRENT PERIOD
7. Number of Stage 3 children receiving funded services in the report month.	33

**Intent:** Should represent the number of children who received services in the month, whether or not the provider has been paid for these services.

**Common Error:** Reported number includes all eligible children.

**Effect on Statewide Projections:** Artificially increases caseload for the reported month along with increasing projected caseload through the remainder of the Fiscal Year and Budget Year.

**Fix:** Do not include children who have been enrolled but no care was provided.

# Common Caseload Reporting Errors (2)



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2. Stage 2 and Stage 3 provider payments made in the report month.

STAGE 2 CASELOAD	CURRENT PERIOD
4. Total Stage 2 provider payments made in the report month (as a whole number include family fees collected by providers and exclude administrative and support costs).	\$19,024
STAGE 3 CASELOAD	CURRENT PERIOD
10. Total Stage 3 provider payments made in the report month (as a whole number include family fees collected by providers and exclude administrative and support costs).	\$10,249

**Intent:** Should represent the *actual* amount of provider payments made in the report month, regardless of the actual service month. Total provider payments must include family fees that have been collected and retained by providers.

**Common Error:** Reported number does not represent actuals or does not include family fees.

**Effect on Statewide Projections:** Misrepresents the average cost of care.

**Fix:** Ensure that actual provider payments are reported on the caseload report. Not to be confused with accrued provider payments on the fiscal report.

# Common Caseload Reporting Errors (3)



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## 3. Stage 2 and Stage 3 child months of service.

STAGE 2 CASELOAD	CURRENT PERIOD
5. How many child months of service is represented in Item 4?	47
STAGE 3 CASELOAD	CURRENT PERIOD
11. How many child months of service is represented in Item 10?	26

**Intent:** Child months of services relates to the number of service months that were paid per child in the report month. Should equal one month per child if all providers were submitting acceptable attendance forms according to your payment timelines.

**Common Error:** Reported number equals the total caseload.

**Effect on Statewide Projections:** Misrepresents the average cost of care.

**Fix:** Ensure that the number of service months are being counted for every payment made to the provider. If a provider submits two attendance forms in one month, the child months of service would equal two.



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# What CDE does with the CalWORKs Caseload and Fiscal Reports?

These Reports:

The “Stage 2 and Stage 3 Caseload Report”

*Plus*

The “CalWORKs Fiscal Report”

*Equals*

Current and Future Fiscal Year Funding



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# Contract Changes for Alternative Payment Programs



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# Multi-Year Contracting for CAPP Contracts

- Authorizing Legislation:
  - Assembly Bill (AB) 1106 amended *Education Code* Section 8220.1 to extend the time period for CAPP contractors to expend funds in a given FY.
  - AB 1808 amended *Education Code* Section 8220.1, changing the time period for CAPP contractors to expend funds at no more than 24 months.
- Implementation:
  - CDE will amend under-earned CAPP contracts to extend the period of the contract from one fiscal year to two fiscal years.
    - Under-earnings based on the Budget Act Amendment MRA and will not include funds received via a one time augmentation or the voluntary temporary transfer of funds process.
    - Contractors with projected under-earnings from the May 2018 CAPP Report received an amendment.
    - CDNFS will continue to review contract earnings based on the calculation of June Year-End reports.



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# Result of having a Multi-Year Contract

- Extension of a CAPP contract results in two active contracts that overlap in FY 2018 – 19:
  - 2017 – 19 contract, known as CAPP7
    - Contract Period: July 2017 – June 30, 2019
  - 2018 – 19 contract, known as CAPP8
    - Contract Period: July 2018 – June 30, 2019
- **Note:** Contractors who fully earned their CAPP7 contract will only have one active contract in FY 2018 – 19, i.e. the CAPP8



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# Online Reporting for CAPP Multi-Year Contracts

- The online report submission page has been updated to allow contractors with multi-year CAPP contracts to select the appropriate contract period when reporting revenue and expenses.
- Contractors with a multi-year 2017 – 19 CAPP contract will be able to select their CAPP7 or CAPP8 contract number after selecting a reporting period.

Child Development Fiscal Services (CDFs)  
CalWORKs, APP or FCCH Fiscal Report (Input Mode)

[Main Menu - Logoff](#)

Agency: ABC CHILD CARE  
Vendor Code: 000000A986

Reporting Period: July 2018

Contract Number: CAPP7019  
C2AP8018  
C3AP8017  
CAPP8019

Questions: Corey Khan | [ckhan@cde.ca.gov](mailto:ckhan@cde.ca.gov) | 916-324-6611



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# Reporting Revenue and Expenses to a Multi-Year Contract

- CAPP contractors that receive an amendment to extend the contract period to June 30, 2019 must fully expend and report to the CAPP7 contract before reporting against the CAPP8 contract.
- Expenses reported in the second year of the CAPP7 contract will be reimbursement based and not projected through the end of FY 2018 – 19.
  - Contractors are encouraged to report monthly to ensure timely reimbursement of expenses.



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# Online Reports for the CAPP7 and CAPP8 Contract

- Selecting the CAPP7 contract will open a report form with Column A auto populated with cumulative prior period data.
  - Example: A July 2018 CAPP7 report will open a report with column A prepopulated with data from column C of the June 2018 report.

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Child Development Fiscal Services (CDFS)  
CaWORKs, APP or FCC Fiscal Report

[Click here to read instructions before completing report.](#) [Main Menu - Logout](#)

NAME OF CONTRACTING AGENCY:  
**ABC CHILD CARE**

REPORTING PERIOD: July 2018  
COUNTY: 34-Sacramento

CONTRACT NO.: CAPP7019  
VENDOR CODE: 00000A356

CDF'S ANALYST: Jordan Clegg  
CONTRACT AMOUNT: \$6,290,725

Click on the question mark (?) link for more information on the specific question.

SECTION I - REVENUE	COLUMN A CUMULATIVE PRIOR PERIOD (See Other Report)	COLUMN B CURRENT PERIOD	COLUMN C CUMULATIVE FISCAL YEAR FIG. A 1 (Col. B)
<b>RESTRICTED PROGRAM INCOME</b>			
1. Child Nutrition Programs	\$ 0	\$	\$ 0
2. Restricted income for operating costs	\$ 0	\$	\$ 0
3. Maintenance of Effort	\$ 0	\$	\$ 0
4. Other (specify):	\$ 0	\$	\$ 0
SUBTOTAL	\$ 0	\$ 0	\$ 0
5. TRANSFER FROM RESERVE ACCOUNT	\$ 0	\$	\$ 0
6. PARENT FEES FOR CERTIFIED CHILDREN	\$ 183,231	\$	\$ 183,231
7. INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	\$ 5,982	\$	\$ 5,982
<b>NON-RESTRICTED INCOME</b>			
8. Other (specify):	\$ 0	\$	\$ 0
<b>TOTAL REVENUE</b>	<b>\$ 189,213</b>	<b>\$ 0</b>	<b>\$ 189,213</b>

- Upon the first report to the CAPP8 contract, Column A will be and should remain blank, indicating that no cumulative prior period data has been reported to the CAPP8 contract to date.



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# Reporting Tool for Multi-Year Contracts

- CDNFS has developed a reporting tool to help contractors identify which active contract the expenses for a given report month should be reported to.
  - Under-earning contractors will receive this worksheet via email from their fiscal analyst.
- Specifically, the worksheet suggests:
  - How to split the expenditures between the CAPP7 July report and CAPP8 July report to fully utilize funds from the CAPP7 contract.
  - Identifies the remaining expenditures to be reported to the CAPP8 contract.



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# Example of the Reporting Tool for Multi-Year Contracts

Reporting of CAPP Expenses to a Multi Year Contract	
<b>Section 1. Cumulative Revenue and Expenses (July 2017 through Current Report Month)</b>	
<i>Revenue</i>	
1. Family Fees	\$11,000
2. Interest	\$300
3. Transfer from AP Reserve	\$0
4. Other Restricted Income	\$0
<b>TOTAL REVENUE</b>	<b>\$11,300</b>
<i>Expenses</i>	
5. Direct Payments to Providers	\$415,025
6. Total Expenses	\$502,145
7. Total Administrative Costs (included in the total expense)	\$75,021
<b>Section 2. Mock Year-End Earnings Calculation</b>	
8. Current CAPP7 MRA	\$478,025
<i>Determining Reimbursable Costs</i>	
9. Net Costs	\$502,145
10. Excess Administrative Costs	\$0
11. Reimbursable Net Costs	\$502,145
<i>Determining Service Earnings</i>	
12. Actual Admin and Support Costs	\$87,120
13. Reimbursable Admin and Support Costs	\$87,120
14. Service Earnings	\$502,145
<i>Determining Contract Earnings</i>	
15. Reimbursable Costs (lesser of Service Earnings or Reimbursable Net Costs)	\$502,145
16. Contract Earnings	\$490,845
17. Contract Earnings to MRA	(\$12,820)
<b>Contract earned, report excess expenses to your CAPP8 contract, as described in Section 3</b>	
<b>Section 3. Adjustments to Reported Expenses</b>	
18. Cumulative Provider Payments through current report month	\$415,025
19. Reported Excess of Provider Payments if total reported towards the CAPP7 contract	(\$10,129)
20. Provider Payment Line: Column C of the CAPP7s Current Report should reflect:	<b>\$404,896</b>
21. Reported Excess of expenses (categories 1000-6500) if reported towards the CAPP8 contract	(\$2,691)
22. Total Expenses Line: Column C of the CAPP7s Current Report should reflect:	<b>\$489,325</b>
23. Amount of provider payments to report to CAPP8	\$10,129
24. Amount of expenses (categories 1000-6500) to be reported to CAPP8*	\$2,691
*represents total of all expenses claimed to categories 1000-6500. The contractor must determine how to adjust the expenses in categories 1000-6500.	



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# Reporting Requirements for Contractors with Multi-Year Contracts

- A contractor on clear status would not be required to submit a CAPP8 report until the worksheet indicates to do so, or when the first quarter report is due, whichever comes first.
- A contractor on conditional status will be required to submit monthly reports regardless of what the worksheet indicates.
  - If the worksheet indicates nothing should be reported to the CAPP8 contract yet, then the contractor is still required to submit a CAPP8 report indicating zeros in all sections.
- Funding Terms and Conditions require all provisional and conditional contractors to report monthly and all other contractors to report quarterly.
  - Contractors with multi-year contracts must continue to submit quarterly reports until the end of the contract period.
    - Example: If a contractor reports all expenses related to a 2017-19 CAPP7 contract by September 2018, the contractor must continue to submit a December, March and June Report.



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# Reporting Days of Operation

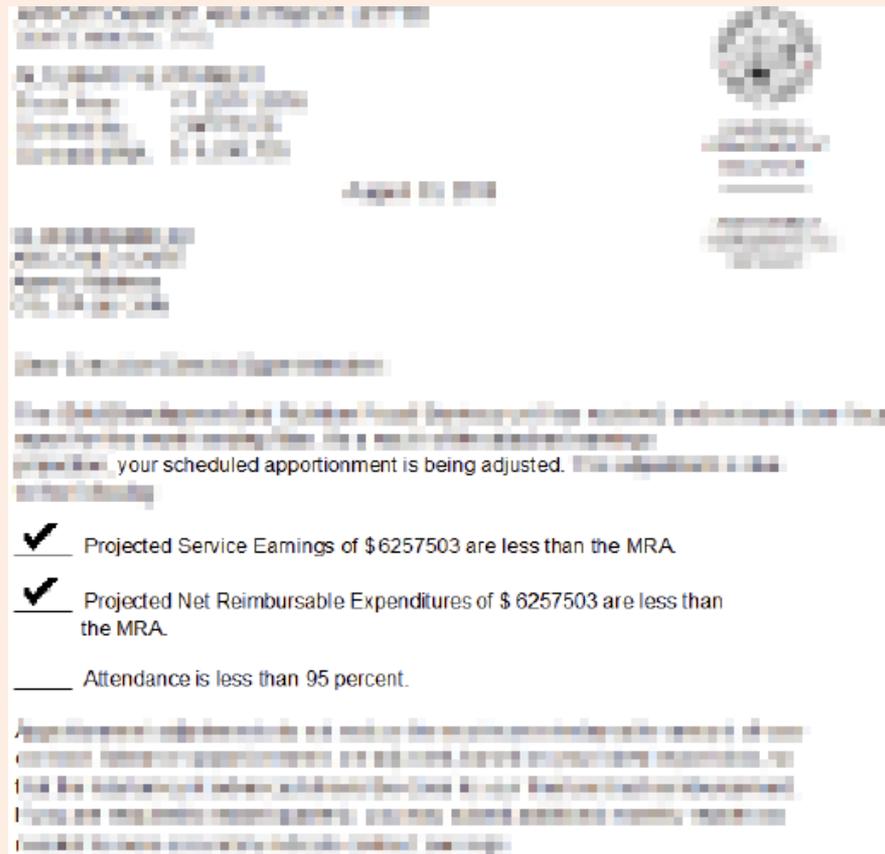
- Although the CAPP7 contract period was extended to June 30, 2019, the Minimum Days of Operation remained unchanged.
  - Contractors should not continue to report Days of Operation on the CAPP7 contract beyond June 30, 2018.
- Days of Operation for FY 2018 – 19 should only be reported to the CAPP8 contract, regardless of whether the contractor is reporting expenditures to the CAPP8 contract.



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# Change to the Apportionment Adjustment Letter for CAPP7

- Contractors reporting in the second year of the CAPP7 contract period will no longer receive an apportionment adjustment letter with their calculation sheet.



Intended to help contractors identify whether their next apportionment would be adjusted based on their projected earnings.

Since expenses reported in the second year of the CAPP7 contract will be reimbursement based and not projected through the end of FY 2018 – 19, the apportionment adjustment letter is not necessary.



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# New Letter for Multi-Year CAPP7

- Contractors reporting in the second year of the CAPP7 contract period will now receive the following letter with their calculation sheet:



Intended to help contractors identify whether they should continue to report to the CAPP7 contract or begin reporting to the CAPP8 contract.



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# Revisions to a CAPP7 June Year-End Report

- The deadline for CAPP7 June Year-End revisions vary based on the type of contractor:
  - Local Educational Agencies (LEAs) may submit revisions through February 13<sup>th</sup> following the close of the fiscal year.
  - Community College Districts may submit revisions through March 1<sup>st</sup> following the close of the fiscal year.
  - Non-LEAs may submit revisions through August 20<sup>th</sup>. After August 20<sup>th</sup>, revisions are captured through the Audit process.
- Contact your fiscal analyst when a revised June Year-End Report has been submitted online.
  - Your fiscal analyst will review and delete the original June Year-End Report.



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# Revised June Year-End Reports to a Multi-Year Contract

- For contractors with a 2017 – 19 CAPP7 contract, who are revising the June 2018 Year-End Report:
  - If reports have not been submitted in FY 2018 – 19 for the CAPP7 contract, the July 2018 CAPP7 report will prepopulate with the revised June 2018 data.
  - If a report has been submitted in FY 2018 – 19, revisions must be reflected on the revised June 2018 report and in the prior period, Column A, of the most recent CAPP7 report for FY 2018 – 19.



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# Change in CAPP Apportionment Schedule

- Historically, CAPP contractors received an initial advance apportionment of 25 percent of the MRA at the beginning of each fiscal year, and would be advanced up to 8.3 or 8.4 percent each month thereafter.
- After review of historical CAPP earnings, the CDE has determined that the 25 percent advance is not sufficient to cover the first quarter expenses for the majority of CAPP contracts.
- Beginning July 1, 2018, the apportionment schedule has been revised for CAPP contractors.
  - Initial advance for all CAPP contracts is now equal to 33 percent of the CAPP contract MRA, and up to 7.4 or 7.5 percent each month thereafter.

# New CAPP Apportionment Schedule



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Month Advance is Received	CAPP Programs % of MRA	CAPP Programs Cumulative %
July	11.1%	11.1%
August	11.1%	22.2%
September	11.1%	33.3%
October	7.5%	40.8%
November	7.4%	48.2%
December	7.4%	55.6%
January	7.4%	63.0%
February	7.4%	70.4%
March	7.4%	77.8%
April	7.4%	85.2%
May	7.4%	92.6%
June	7.4%	100.0%



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# Questions?