DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

September 18, 1992

ALL-COUNTY LETTER NO. 92-82

TO: ALL COUNTY WELFARE DIRECTORS
     ALL COUNTY GAIN COORDINATORS

Reason for this Transmittal
[ ] State Law Change
[X] Federal Law Change
[ ] Court Order or Settlement Agreement
[ ] Clarification Requested by One or More Counties
[ ] Initiated by SDSS

SUBJECT: CHILD CARE POLICY REGARDING REGISTRATION FEES

The purpose of this letter is to transmit a revised Greater Avenues for Independence (GAIN) Program policy regarding child care registration fees. This policy has been developed by the State Department of Social Services (SDSS), in conjunction with the County Welfare Directors' Association (CWDA) GAIN Child Care Workgroup.

The Family Support Administration (FSA) has issued an Action Transmittal (AT) CC-FSA-AT-91-1 which provides the flexibility to treat all child care registration fees in the same manner or to distinguish between two separate types of registration fees (one-time only and annual/recurring). Additionally, the AT indicates that if States choose to distinguish between types of registration fees, it will be necessary to claim those fees separately, either an administrative cost for one-time only fees or direct service cost for annual/recurring fees. In order to make this process as administratively simple as possible, a joint decision was made by SDSS and the CWDA GAIN Child Care Workgroup to utilize the option of treating all registration fees in the same manner as a direct service cost. To reduce the possibility of federal issues with our process, we jointly determined that it should be standardized statewide.

The enclosed registration fee process has been developed to assist counties to determine whether a registration fee is an allowable child care expense and to determine what portion of the registration fee is eligible for federal reimbursement. This process was pilot-tested by members of the Workgroup, revised, and again pilot tested in order to determine the most workable approach. Enclosure I is a description of the two part process and Enclosure II is a worksheet to be used in conjunction with Enclosure I. At a minimum, the calculation to determine the allowability of a registration fee must be documented in the child care payment records for auditing purposes. Enclosure II or a county-developed facsimile will be acceptable.

In Part I are the instructions to determine whether the fee is an allowable child care expense. With these instructions, we are revising current policy to utilize the standardized approach of determining allowability by prorating the registration fee over the time the fee is to cover (i.e., annual = 12 months, semi-annual = 6 months). If the amount of time is an unknown factor, assume a 12 month duration. We are also establishing the policy that the fee must be paid in total during the month in which it is due and claimed as a direct service cost in the quarter it was paid.

In Part II are the instructions to determine the portion of the registration fee that is eligible for federal reimbursement. Since the FSA does not participate in child care costs incurred above the 75th percentile, it is necessary to establish the federal share (up to the 75th percentile ceiling level) and the state/county share (up to the 1.5 standard deviation ceiling level) for all registration fees claimed.

you have questions or concerns regarding this correspondence, contact your county Employment Operations Analyst at (916) 654-1462.

MICHAEL C. GENEST
Deputy Director
Welfare Programs Division

Enclosure

REGISTRATION FEE PROCESS
INSTRUCTIONS

THE FOLLOWING INSTRUCTIONS ARE FOR ENCLOSURE II (<u>REGISTRATION</u>
<u>FEES</u> WORKSHEET).

<u>INITIAL PROCESS</u>:

ANNOTATE THE FOLLOWING INFORMATION (DATA) IN ADDITION TO THE
<u>CHILD'S NAME OR CASE NUMBER</u>:

    A)   Center based or family day care (exclude exempt care)
    B)   Age group of child (under 2 years, 2-5 years, 6+ years)
    C)   Part-time or full-time child care
    D)   Method of payment (hourly, daily, weekly, or monthly)
    E)   1.5 standard deviation ceiling level
    F)   75th percentile ceiling level
    G)   Actual child care cost
    H)   Registration fee amount
    I)   Number of months the fee will cover

NOTE: IF G (Actual Child Care Cost) IS LESS THAN E (1.5 standard
       deviation ceiling level), GO TO PART I TO DETERMINE IF THE
       REGISTRATION FEE IS AN ALLOWABLE CHILD CARE EXPENSE.

       IF G (Actual child care cost) IS EQUAL TO OR GREATER THAN E
       (1.5 standard deviation ceiling level), <u>STOP PROCESS</u>.
       <u>REGISTRATION FEE IS NOT AN ALLOWABLE CHILD CARE EXPENSE</u>.

PART I: DETERMINE IF THE REGISTRATION FEE IS WITHIN THE RMR
               CEILING LEVEL.

STEP 1):

DETERMINE THE MONTHLY PRORATED REGISTRATION FEE AMOUNT (J), BY
DIVIDING THE REGISTRATION FEE AMOUNT (H) BY THE NUMBER OF MONTHS
THE FEE IS TO COVER (I).

       FOR EXAMPLE: A $100 annual registration fee (H) would be
                        divided by 12 months, giving a monthly
                        prorated amount (J) of $8.33; a $100 semi-
                        annual registration fee (H) would be
                        divided by 6 months, giving a monthly
                        prorated amount (J) of $16.67.

STEP 2):

DETERMINE IF THE MONTHLY PRORATED REGISTRATION FEE AMOUNT (J)
NEEDS TO BE CONVERTED TO A WEEKLY, DAILY OR HOURLY LEVEL.

A. IF METHOD OF PAYMENT (D) IS <u>MONTHLY</u>, PROCEED TO STEP 3).

B. IF METHOD OF PAYMENT (D) IS <u>WEEKLY</u>, DIVIDE THE MONTHLY
    PRORATED REGISTRATION FEE AMOUNT (J) BY 4.33 WEEKS,
    CREATING A WEEKLY PRORATED REGISTRATION FEE AMOUNT (K).
    PROCEED TO STEP 3.

    FOR EXAMPLE: An $8.33 monthly prorated amount (J) would
                    be divided by 4.33 weeks, giving a weekly
                    prorated amount (K) of $1.92.

    IF METHOD OF PAYMENT (D) IS DAILY OR HOURLY, PROCEED TO C.
    AND D. RESPECTIVELY, UTILIZING THE WEEKLY PRORATED
    REGISTRATION FEE AMOUNT (K).

C. IF THE METHOD OF PAYMENT (D) IS <u>DAILY</u>, DIVIDE THE WEEKLY
    PRORATED REGISTRATION FEE AMOUNT (K) BY 5 DAYS, CREATING A
    DAILY PRORATED REGISTRATION FEE AMOUNT (L). PROCEED TO
    STEP 3.

    FOR EXAMPLE: A $1.92 weekly prorated amount (K) would be
                    divided by 5 days, giving a daily prorated
                    amount (L) of $.39.

D. IF THE METHOD OF PAYMENT (D) IS <u>HOURLY</u>, DIVIDE THE WEEKLY
    PRORATED REGISTRATION FEE AMOUNT (K) BY 45 HOURS (IF STATUS
    OF CARE (C) IS FULL-TIME) OR BY 34 HOURS (IF STATUS OF CARE
    (C) IS PART-TIME), CREATING AN HOURLY PRORATED REGISTRATION
    FEE AMOUNT (M). PROCEED TO STEP 3.

    FOR EXAMPLE: A $1.92 weekly prorated amount (K) would be
                    divided by 45 hours (full-time), giving an
                    hourly prorated amount (M) of $.04, or $.06
                    if divided by 34 hours (part-time).

PART I (cont.):

STEP 3)

ADD THE PRORATED REGISTRATION FEE AMOUNT (J,K,L OR M, [results from Step 2 only]) TO THE ACTUAL CHILD CARE COST (G), THE SUM WILL BE THE ADJUSTED CHILD CARE PAYMENT AMOUNT (N).

> FOR EXAMPLE: If the provider charges on a monthly basis, add the monthly prorated amount (J) of the registration fee to the actual monthly child care cost (G); the sum will be the adjusted monthly child care payment amount (N).
>
> If the provider charges on a weekly basis, add the weekly prorated amount (K) of the registration fee to the actual weekly child care cost (G), the sum will be the adjusted weekly child care payment amount (N).
>
> If the provider charges on a daily basis, add the daily prorated amount (L) of the registration fee to the actual daily child care cost (G), the sum will be the adjusted daily child care payment amount (N).
>
> If the provider charges on an hourly basis, add the hourly prorated amount (M) of the registration fee to the actual hourly child care cost (G), the sum will be the adjusted hourly child care payment amount (N).

STEP 4):

COMPARE THE ADJUSTED CHILD CARE PAYMENT AMOUNT (N) (monthly, weekly, daily or hourly, the results from Step 3) TO THE APPROPRIATE 1.5 STANDARD DEVIATION RMR CEILING LEVEL (E).

> TEST: If the adjusted child care amount (N) is equal to or less than the RMR 1.5 standard deviation ceiling level (E), then the registration fee is within the RMR ceiling level, and is an allowable child care expense. PROCEED TO PART II.
>
> If the adjusted child care amount (N) is more than the RMR 1.5 standard deviation ceiling level (E), then the registration fee would not be within the RMR and would not be an allowable child care expense. STOP PROCESS.

PART II, next page.

PART II: **DETERMINE WHAT PORTION OF THE REGISTRATION FEE IS ELIGIBLE FOR FEDERAL REIMBURSEMENT.**

STEP 1):

COMPARE THE ACTUAL CHILD CARE COST (G) TO THE 75TH PERCENTILE CEILING LEVEL (F).

TEST: If the actual child care cost (G) is equal to or greater than the 75TH percentile ceiling level (F). STOP PROCESS. The registration fee is not eligible for federal reimbursement but is eligible for state/county funding.

If the actual child care cost (G) is less than the 75TH percentile ceiling level (F), PROCEED TO STEP 2 to determine the amount which is eligible for federal reimbursement.

STEP 2):

SUBTRACT THE ACTUAL CHILD CARE COST (G) FROM THE 75TH PERCENTILE CEILING LEVEL (F), CREATING AN AMOUNT WHICH IS ELIGIBLE FOR FEDERAL REIMBURSEMENT (P) WHICH WILL GO TOWARD THE PAYMENT OF THE REGISTRATION FEE. BASED ON THE METHOD OF PAYMENT (D) THIS AMOUNT IS EITHER A MONTHLY, WEEKLY, DAILY OR HOURLY AMOUNT.

FOR EXAMPLE:

IF D IS MONTHLY:
$300 (75TH) - $295 (ACTUAL) = $5 (P) per month to go toward REG.FEE

IF D IS WEEKLY:
$150 (75TH) - $ 75 (ACTUAL) = $75 (P) per week to go toward REG.FEE

IF D IS DAILY:
$30 (75TH) - $29 (ACTUAL) = $1 (P) per day to go toward REG.FEE

IF D IS HOURLY:
$3.00 (75TH) - $2.95 (ACTUAL) = $.05 (P) per hour to go toward REG.FEE

STEP 3):

COMPARE THE AMOUNT TO GO TOWARD THE REG.FEE (P) TO THE PRORATED REGISTRATION FEE AMOUNT (J,K,L OR M) FROM PART I, STEP 2.

TEST: If the amount that is to go toward the registration fee (P) is equal to or greater than the prorated REG.FEE amount (J,K,L or M). STOP PROCESS. The entire registration fee is eligible for federal reimbursement.

If the amount that goes toward the registration fee (P) is less than the prorated registration fee amount (J,K,L OR M), PROCEED TO STEP 4 to determine the amount eligible for federal reimbursement.

STEP 4:

DETERMINE THE FEDERALLY ELIGIBLE AMOUNT (D).

IF D IS MONTHLY:	MULTIPLY THE AMOUNT THAT GOES TOWARD THE REG.FEE (P) BY THE NUMBER OF MONTHS THE REG.FEE WILL COVER (I), CREATING A TOTAL AMOUNT (Q) WHICH IS FEDERALLY ELIGIBLE.
IF D IS WEEKLY:	MULTIPLY THE AMOUNT THAT GOES TOWARD THE REG.FEE (P) BY 4.33 WEEKS, CREATING A MONTHLY AMOUNT WHICH IS ELIGIBLE FOR FEDERAL REIMBURSEMENT. MULTIPLY THE MONTHLY AMOUNT BY THE NUMBER OF MONTHS THE REG.FEE WILL COVER (I), CREATING A TOTAL AMOUNT (Q) WHICH IS FEDERALLY ELIGIBLE.
IF D IS DAILY:	MULTIPLY THE AMOUNT THAT GOES TOWARD THE REG.FEE (P) BY 5 DAYS WHICH GIVES A WEEKLY AMOUNT. MULTIPLY THE WEEKLY AMOUNT BY 4.33 WEEKS CREATING A MONTHLY AMOUNT. MULTIPLY THE MONTHLY AMOUNT BY THE NUMBER OF MONTHS THE REG.FEE COVERS (I), CREATING A TOTAL AMOUNT (Q) WHICH IS FEDERALLY ELIGIBLE.
IF D IS HOURLY:	MULTIPLY THE AMOUNT THAT GOES TOWARD THE REG.FEE (P) BY 45 HOURS FOR FULL-TIME CARE OR 34 HOURS FOR PART-TIME CARE, CREATING A WEEKLY AMOUNT. MULTIPLY THE WEEKLY AMOUNT BY 4.33 WEEKS CREATING A MONTHLY AMOUNT. MULTIPLY THE MONTHLY AMOUNT BY THE NUMBER OF MONTHS THE REG.FEE COVERS (I), CREATING A TOTAL AMOUNT (O) WHICH IS FEDERALLY ELIGIBLE.

STEP 5):

COMPARE THE TOTAL AMOUNT (Q) TO THE REGISTRATION FEE (H).

TEST: If the total amount (Q) is equal to or greater than the registration fee (H). STOP PROCESS. The registration fee is entirely federally eligible.

If the total amount (Q) is less than the registration fee (H), PROCEED TO STEP 6 to determine the state/county share of the registration fee.

STEP 6:

SUBTRACT THE TOTAL AMOUNT (Q) FROM THE REGISTRATION FEE (H), THE REMAINDER IS THE STATE/COUNTY SHARE OF THE REG.FEE.

REGISTRATION FEES

	Child's Name	Case #

(Circle appropriate items A - D)

(A) TYPE OF CARE: center based   or   family day care
(exclude exempt care)

(B) AGE GROUP OF CHILD: under 2 yrs,   2 - 5 yrs,   or 6+ yrs

(C) STATUS OF CARE: part-time   or   full-time

(D) METHOD OF PAYMENT: hourly,   daily,   weekly,   or   monthly

(Fill-in dollar amounts E - I)

(E) 1.5 CEILING LEVEL: _____ (E)

(F) 75th PERCENTILE CEILING LEVEL: _____ (F)

(G) ACTUAL CHILD CARE COST: _____ (G)

(H) REGISTRATION FEE AMOUNT: _____ (H)

(I) NUMBER OF MONTHS THE FEE WILL COVER: _____ (I)

PART I: IS THE REGISTRATION FEE WITHIN THE REGIONAL MARKET RATE?

STEP 1): _____ (H) / _____ (I) = _____ (J)

STEP 2):

A.   If (D) = monthly, go to Step 3.

B.   If (D) = weekly, _____ (J) / 4.33   = _____ (K)

C.   If (D) = daily, _____ (K) / 5   = _____ (L)

D.   If (D) = hourly, _____ (K) / 45 (F/T)

or 34 (P/T)   = _____ (M)

STEP 3): _____ (G) + _____ (J, K, L or M) = _____ (N)

STEP 4): _____ (N) (adj. child care payment amount)

_____ (E) (1.5 RMR ceiling level)

IS (N) EQUAL TO OR LESS THAN (E)?   YES   OR   NO   (circle one)

IF YES,   registration fee is within RMR ceiling level and is an allowable child care expense. GO TO PART II.

IF NO,   registration fee is not within th RMR ceiling level and is not an allowable child care expense.
STOP PROCESS.

PART II: DETERMINING THE FEDERAL SHARE OF THE REGISTRATION FEE

(D) _____ Method of payment: hourly, daily, weekly, monthly

(F) _____ 75th percentile ceiling level

(G) _____ actual child care cost

(H) _____ registration fee

(I) _____ # of months fee will cover

(J,K,L,M) _____ prorated registration fee amount

STEP 1:)

IS G (actual child care cost) GREATER THAN OR EQUAL TO F (75th percentile ceiling level)?

    IF YES, STOP PROCESS. Registration fee is all state/county dollars only.

    IF NO. PROCEED TO STEP 2 to determine the federal share of the registration fee.

STEP 2:) _____ (F) - _____ (G) = _____ (P)
(amount to go toward reg. fee per hour, day, week or month)

STEP 3:)

IS P GREATER THAN OR EQUAL TO (J,K,L OR M)?

    IF YES. STOP PROCESS, the entire registration fee is federally eligible for reimbursement.

    IF NO. PROCEED TO STEP 4 to determine the amount to go towards the registration fee which would be eligible for federal reimbursement.

STEP 4:)

A. IF D = MONTHLY, _____ (P) x _____ (I) = _____ (Q)
(total amount federally eligible)

B. IF D = WEEKLY _____ (P) x 4.33 x _____ (I) = _____ (Q)

C. IF D = DAILY, _____ (P) x 5 (days) x 4.33 x _____ (I) = _____ (Q)

D. IF D = HOURLY, _____ (P) x [45 (FT) or 34 (PT)] x 4.33 x _____ (I) = _____ (Q)

STEP 5:)

IS Q GREATER THAN OR EQUAL TO H (REG. FEE)?

    IF YES. STOP PROCESS. Reg Fee is federally eligible.

    IF NO. PROCEED TO STEP 6 to determine State/county share of fee.

STEP 6:)

    _____ (H) (REG. FEE)

-     _____ (Q) (TOTAL AMOUNT)

=   _____ (R) (STATE/COUNTY SHARE)