

ASSEMBLY BILL

No. 1279

Introduced by Assembly Member Coto

February 23, 2007

An act to amend Section 8450 of the Education Code, relating to child care.

LEGISLATIVE COUNSEL'S DIGEST

AB 1279, as introduced, Coto. Child care: child development contractors: reserve funds.

The Child Care and Development Services Act provides child care and development services to children from birth to age 13 and their parents through full- and part-time programs. The act encourages child development contractors to develop and maintain a reserve within the child development fund derived from earned but expended funds. The act authorizes child development contractors to retain a reserve fund for alternative payment model and certificate child care contracts not to exceed the greater of 2% of the sum of the parts of each contract to which the contractor is a party or \$1,000.

This bill instead would provide that the reserve fund for alternative payment model and certificate child care contracts may not exceed an unspecified percentage of the sum of the parts of each contract to which the contractor is a party.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 8450 of the Education Code is amended
2 to read:

3 8450. (a) All child development contractors are encouraged
4 to develop and maintain a reserve within the child development
5 fund, derived from earned but unexpended funds. Child
6 development contractors may retain all earned funds. For the
7 purpose of this section, “earned funds” are those for which the
8 required number of eligible service units have been provided.

9 (b) Earned funds may not be expended for ~~any~~ *the* activities
10 proscribed by Section 8406.7. Earned but unexpended funds shall
11 remain in the contractor’s reserve account within the child
12 development fund and shall be expended only by direct service
13 child development programs that are funded under contract with
14 the department.

15 (c) Notwithstanding subdivisions (a) and (b), a contractor may
16 retain a reserve fund balance for a resource and referral program,
17 separate from the balance retained pursuant to subdivision (b), not
18 to exceed 3 percent of the contract amount. Funds from this reserve
19 account may be expended only by resource and referral programs
20 that are funded under contract with the department.

21 (d) Notwithstanding subdivisions (a) and (b), a contractor may
22 retain a reserve fund for alternative payment model and certificate
23 child care contracts, separate from the reserve fund retained
24 pursuant to subdivisions (b) and (c). Funds from this reserve
25 account may be expended only by alternative payment model and
26 certificate child care programs that are funded under contract with
27 the department. The reserve amount allowed by this section may
28 not exceed ~~either of the following, whichever is greater:~~

29 ~~(1) Two ____ percent of the sum of the parts of each contract~~
30 ~~to which that contractor is a party that is allowed for administration~~
31 ~~pursuant to Section 8276.7 and that is allowed for supportive~~
32 ~~services pursuant to the provisions of the contract.~~

33 ~~(2) One thousand dollars (\$1,000).~~

34 (e) Each contractor’s audit shall identify any funds earned by
35 the contractor for each contract through the provision of contracted
36 services in excess of funds expended.

1 (f) Any interest earned on reserve funds shall be included in the
2 fund balance of the reserve. This reserve fund shall be maintained
3 in an interest-bearing account.

4 (g) Moneys in a contractor's reserve fund may be used only for
5 expenses that are reasonable and necessary costs as defined in
6 subdivision (n) of Section 8208.

7 (h) Any reserve fund balance in excess of the amount authorized
8 pursuant to subdivisions (c) and (d) shall be returned to the
9 department pursuant to procedures established by the department
10 and reappropriated as second-year funds consistent with Section
11 8278.

12 (i) Upon termination of all child development contracts between
13 a contractor and the department, all moneys in a contractor's
14 reserve fund shall be returned to the department pursuant to
15 procedures established by the department, and reappropriated as
16 second-year funds consistent with Section 8278.

17 (j) Expenditures from, additions to, and balances in, the reserve
18 fund shall be included in the agency's annual financial statements
19 and audit.