

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



October 13, 2005

CCL INFORMATION RELEASE NO. 2005-01

TO: ALL CCLD STAFF

SUBJECT: LICENSING FEE COLLECTION PROCEDURES

REFERENCE: SENATE BILL 1104 (Effective 8/16/04)

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Initiated by CCL

Attached are interim fee collection instructions for licensing fees that became effective when the SFY '04-05 budget was signed. A major component of the Community Care Licensing Division (CCLD) program budget is now funded through the collection of these licensing fees. These instructions are provided to update fee billing and collection procedures, to implement a number of new fees which are now part of the licensing program, and to provide clarification regarding fee collection issues that have been identified by CCLD field staff. These instructions are now being incorporated into the CCLD Evaluator Manual (EM) and Office Procedure Manual (OPM) (aka District Office Procedure Manual).

In an effort to minimize the impact of fee collection procedure on field operations, we have attempted to streamline the collection process and reduce the follow-up needed by field staff as part of on-going fee collections. We expect that further improvements will be forthcoming. However, it is critically important that these procedures be followed and that follow-up collection efforts are implemented as necessary.

Thank you for your co-operation and commitment to the success of the licensing program. If you have further questions, please contact Suzann Paolini of the Division Administrative Support Bureau at (916) 327-0992 or Stephanie Davis of the Technical Assistance and Policy Branch at (916) 322-4887.

A handwritten signature in black ink, appearing to read "Jo Frederick".

JO FREDERICK
Deputy Director
Community Care Licensing Division

Attachments

ATTACHMENT I

COMMUNITY CARE LICENSING DIVISION FEE COLLECTIONS: INSTRUCTIONS AND IMPLEMENTATION ISSUES OCTOBER 2005

There have been significant changes to the fee collections system utilized by the Community Care Licensing Division (CCLD) to assess and collect facility fees. As a result, expected revenues have increased and a significant portion of the CCLD program budget is now paid through fee collections. As you know, there have not yet been comprehensive instructions provided to Regional Office staff related to fee collections. In addition, a number of issues have surfaced that need to be addressed. This document is intended to provide information about implementation and responses to critical questions. The policies and procedures outlined in this memo are now being incorporated into the Evaluator Manual (EM) and the Office Procedures Manual (OPM). This memo addresses procedures for all licensing fee collections, except for implementation of the Plan of Correction fees. Instructions related to Plan of Correction fees are being finalized and will be released in a subsequent memo.

This memo applies to CCLD licensing fees and does not include information on civil penalties or civil penalty collections.

A. CCLD Licensing Fee Structure

These are the fees as listed in the CCLD Budget:

The Budget Act for 2004-05 included changes to CCLD fee structure including the authorization to charge some new fees. Governor Schwarzenegger signed the Health and Human Services budget "trailer" bill on August 16, 2004, which includes the following changes:

- *Change of Capacity Fee* - \$25.00 fee when an existing licensee seeks to either increase or decrease the licensed capacity of the facility;
- *Change in Licensing Location Fee* - 50% of an established application fee when an existing licensee moves the facility to a new address;
- *Change in Corporate status Fee* - 50% of an established application fee when a corporate licensee changes who has the authority to select a majority of the board of directors;
- *Orientation Fee* - A fee will be charged to each person attending one of the Department sponsored orientations. The orientation fee is \$25.00 per person for Family Child Care Homes and \$50.00 for all other licensing categories (except Foster Family Homes, which continue to have no fee);
- *Plan of Correction Fee* - When any licensee does not implement a plan of correction on or prior to the date specified in the plan, a fee of \$200.00 will be charged;

- *Probation Monitoring Fee* - 100% of the annual fee, in addition to the annual fee for that category and capacity for each year a license has been placed on probation as a result of a stipulation or decision and order pursuant to the administrative adjudication procedures of the Administrative Procedures Act. This fee will be added to the licensees' annual billing;
- *Late Fee* - A late fee that represents an additional 50% of the established annual fee when the licensee fails to pay the annual licensing fee on or before the facility anniversary date as indicated by the date payment is received by the Cashier;
- *Dishonored Check Fee (aka Administrative Fee)* - A fee to cover any costs incurred by the Department for processing payments including, but not limited to, dishonored check charges (\$25 fee), charges for credit and debt transactions, and postage due charges. Again, this fee will be added to the licensees' annual billing.

Copies of the current fee schedules are attached. (See Attachment II and Attachment III)

B. Billing Process for Licensing Fees

Fee Due Notice

The fee due notice is generated by Licensing Information Systems (LIS), printed at the Employment Development Department (EDD), and mailed by the CDSS mailroom four months (120 days) before the license effective (anniversary) date. We have now eliminated the concept of a *due date* for fee payment which historically was one month (30 days) before the effective (anniversary) date. The fee notices have been modified to indicate that fees are due and payable by the effective (anniversary) date. A fee due is not considered to be *late* until the day following the actual effective (anniversary) date.

Beginning in March 2005 notices which billed for June 2005 anniversary dates, incorporated probation fees, any past due fees from previous years not shown as collected, and a late fee notification.

- Past due fees will include all fees not paid since the inception of the current fee system, which began in 1998. They will not be itemized by year, but rather grouped in a line item titled "Past Due Fees."
- The fee notice includes a line item for late fees. The fee notice provides notice that the licensee will be subject to a late fee (equal to 50% of their annual billing) if payment is not made by the effective (anniversary) date. Late fees are assessed when payment is not made by the license effective (anniversary) date. The late fee is based on the full annual fee assessed, *not* any other outstanding fee (probation, bounced check fee etc.). In addition, current billings will not include an assessment for late fees for prior year past due fees.

Fee Payments

When the licensee pays the fees, they send the fee notice and their check or money order to the Cashier Office in CDSS Sacramento. The Cashier posts the fee payment. Other than that posting function, the Cashier plays no other part in the fee collection activity and **licensees should never be referred to the Cashier** for clarification on fees paid or owed. Licensees should contact their Licensing Program Analyst (LPA) if they have any questions regarding their fee payment.

Appendix IV of the CCLD Office Procedures Manual has instructions related to endorsements and receipts if a payment is made at a Regional Office (see Attachment IV). As required for all checks received in the Regional Office, the check must be processed and released to the CDSS Cashier by the next business day. Timely processing of checks for fee payments will also help to ensure that the payment is received by the Cashier in time to avoid late payment charges. However, licensees should always be informed that the fee payment should be sent directly to the CDSS Cashier.

The Centralized Licensing Fee (CLF) was recently changed. When a fee is posted in the CLF by the Cashier, it is automatically applied by the CLF system to the oldest outstanding fee. Even if the facility intended to pay their current annual or probation fee, the check is applied in the CLF & LIS to the oldest outstanding fee due.

As an example: If a Small Family Child Care licensee did not have an annual fee shown as paid in 1999 in the amount of \$25, their current fee notice should show an amount due of \$85 (the current annual fee - \$60 plus the \$25 outstanding from 1999). If that licensee were to only send in \$60, then the first \$25 would be applied to what is still owed in 1999 and the remainder of \$35 would be applied to the current year. The license would still show an outstanding balance of \$25 and would receive a forfeiture notice as the current annual fee was not paid in full. See the section on Final Notice/Forfeiture below.

Only in the case of a payment made specifically for a civil penalty, and indicated on the payment as "civil penalty," will the payment not be applied to the oldest outstanding fee. The goal was to have payments match charges in LIS, like a check and balance system.

The CLF will also now prompt the Cashier when payment is posted in excess of the amount of the fee payment due. The prompt will ask for another facility number to apply the excess fee. This is intended to reduce the possibility that an excessive fee is posted to one facility licensed to the licensee, while other facility fees are identified as unpaid or late.

If the licensee alleges that they made a past payment that is not reflected in LIS, the LPA should follow-up with the licensee and get a copy of the cancelled check or at *minimum* a check number and the date the check was cut. The LPA (not the licensee)

should then contact COB to have the payment researched. The COB contact can be reached at (916) 323-1183. If the payment is found, it will be re-applied to the facility's payment history. Similarly, if it is determined that the licensee paid the correct fee based on their operating status and capacity, but were billed inappropriately because LIS had not been updated, the Regional Office should contact COB to have the fee due amount corrected and any late fees reversed.

Certification of Non-Operation

The fee notice includes a tear-off Certification of Non-Operation (previously known as the No Longer In Business Notification) to be completed and submitted with the license to the Cashier's Office by licensees who indicate that they are not paying fees because they are closed or will be closing by the facility anniversary date. The Certification is then forwarded to the Regional Office. The Regional Office will need to contact the facility to verify that the closure has in fact taken place, and make appropriate LIS changes to reflect the facility closure.

If it is determined that the licensee continues to operate, despite submission of the Certification of Non-Operation, the Regional Office should initiate procedures to forfeit the license and if necessary, seek appropriate administrative action. See the Evaluator Manual (EM) Enforcement Actions, Section 1-1000 Administrative Actions or Other Legal Actions through Section 1-1195 Facility Closure Plan Guidelines.

Final Notice/Forfeiture

If payment is not received 15 days prior to the license effective (anniversary) date, the billing system will trigger the Final Notice that will indicate that the license will be considered forfeited if full payment is not made. The Notice explains that if fees are not received by the license effective (anniversary) date, late fees *will* be assessed and/or the license may *be considered* to be forfeited. The forfeiture notice will reflect the amount due and indicates that if the payment is made after the effective date, the amount due includes a late fee. In some circumstances, the forfeiture letter will have been sent even though full payment is received prior to the effective (anniversary) date. In those cases, licensees should be advised to disregard the forfeiture letter. Late fees will only be assessed if the **full fee** is not paid by the effective (anniversary) date.

List of Facilities to be Closed Due to Non-Payment of Fees

If the licensee does not pay by the license effective date, the facility will appear on a list of "Facilities to be Closed Due to Non-Payment" (CLF 890). This list prints at each Regional Office on the second Monday of each month. The list is intended for follow-up by the LPA. At a minimum, the LPA shall check LIS to determine if the fees have been paid. If LIS shows no payment received, the LPA shall contact the facility by telephone to determine if they are currently operating.

The LPA shall document on a contact sheet the discussion and any plan indicated by the licensee to make a payment or cease operation.

- If the facility is operating, direct the licensee to submit payment to the CDSS Cashier immediately to avoid forfeiture. Track the facility using the CLF 890 report and monitor in LIS. If no payment is received within 90 days of the license effective date, initiate closure procedures (See the EM Enforcement Actions, Section 1-1000 Administrative Actions or Other Legal Actions through Section 1-1195 Facility Closure Plan Guidelines.) Notify the licensee that the license is forfeited by operation of the law due to non-payment of fees and copy all pertinent agencies. Close the facility on LIS.
- If the licensee indicates that payment has been made, follow the process indicated in the section on *Fee Payments* above.
- If the licensee indicates that the facility is closed or will close voluntarily, request that the licensee mail the license to the Regional Office and close the facility on LIS.

Previously there was a second report (CLF 870) of Facility Issued a Forfeiture Notice. That report has been eliminated.

C. Status of Fees Collection Implementation

Implemented Fees – As of August 2005

- *Change of Capacity Fee* – This fee is in addition to the annual fee. The Regional Office shall collect the fee at the time the application for change of capacity is received. Once the change of capacity application is accepted and entered into LIS, the \$25 fee is generated on the facility payment history. The license capacity change shall not be approved and a revised license shall not be issued unless and until it is determined that all past due fees have been paid.
- *Change of Location Fee* – This fee is in addition to the annual fee. The Regional Office shall collect the fee at the time the application for a change of location is received.

Once a facility is closed (LIS facility closure code 08 for change of location) the system prompts for a new facility number and generates the fee on the new facility record, as a check and balance. The license change of location shall not be approved and a revised license shall not be issued for the new location unless and until it is determined that all past due fees have been paid.

- If the facility that is closing is paid in full, the new facility has only a change of location charge created on the facility payment history.
- If the facility has outstanding annual fees (billed and not paid), then the

entire payment history is transferred from the old facility number to the new facility number. And the licensee owes both the outstanding annual fees and the change of location fee.

- *Change of Corporate Status Fee* – This fee is in addition to the annual fee. The Regional Office shall collect the fee at the time the application for a change of corporate status is received. The fee represents 50% of the application fee and is applied when more than 50% of the corporation's shares change ownership, which constitutes a change in ownership, **and** there is no change to the licensee and no significant change to the program. A new but modified application is required. Do not put the facility in pending status on LIS as no visit is required; do not issue a new license number or effective date. Records are updated in facility file.

The 50% fee is also applied when a non-profit corporation changes who has the authority to appoint the board of directors.

- *Certified Family Home (CFH) Fee* – An annual fee of \$80 per home associated to the FFA/Sub-office at the time of billing (generated 4 months prior to license effective date).
 - In FY 03/04 and 04/05, a supplemental billing was done for each Foster Family Agency (FFA)/Sub based on the number of homes they reported to the CDSS.
 - Beginning April 2005 (for July 2005 anniversary dates) the CLF/LIS was changed to include the CFH fee on the normal Fee Notice. The billing is based on the number of homes the FFA/Sub has associated to it in LIS on the date the bill is generated.
 - Corrections reported to the CFH coordinator will adjust the number of homes in an effort to correct any billing errors.
- *Probation Fee* – This fee is in addition to the annual fee. As soon as a facility is put on probation (status 05 in LIS) a fee is assessed on the facility payment history. This fee is not billed until the normal annual license fee is billed. At that time, it will show up as a separate line item due for "probation" on the annual notice.
- *Dishonored Check Fee* - If a check was dishonored by the bank, the LIS system will now create a billed record on the payment transaction screen to record the event. Historically the dishonored check fee was \$10; it increased to \$25 in September 2005.

Examples:

1. A licensee writes a check for a \$60 annual fee. Once CDSS records the dishonored check in LIS, it will create a \$25 bounced check fee. The next bill the licensee receives (possibly the forfeiture notice) will contain a line item for the annual fee and a \$25 charge for the bounced check.
2. A licensee writes a check for a \$100 civil penalty. The check is then dishonored by the bank. Once CDSS records the dishonored check in LIS, it will create a \$25 bounced check fee and create a charge for the \$100 civil penalty on the facility payment history. The next bill for the facility will contain a line item for the annual fee, civil penalty (in the amount of the \$100 previous check) and a \$25 charge for the bounced check.

D. Questions and Answers

1. What fees can be waived?

There are no provisions for waiving any assessed fees. The licensee is responsible for payment of the full amount of any fees assessed even if they cease operating or change their status during a year.

2. Can fees be refunded?

Fees may not be refunded once they have been paid.

3. Can licensees pay their annual fees in installments?

There are no provisions for accepting partial payments. However, licensees should be advised that if the full fee amount is not paid by the effective (anniversary) date, they will be subject to late fees based on the original annual assessment, *not* on the outstanding balance.

4. What fees are FFA Sub Offices required to pay?

FFA sub-offices are not required to pay an annual fee, change of location fee or any other fee that is based on the annual fee. At this time, sub-offices are *only* required to pay a fee for each CFH associated to the sub-office at the time of billing.

5. Has the EM and/or OPM been updated to reflect the changes related to CCLD's fees?

The EM and OPM have not yet been updated to reflect the changes stated in this memo. Updates to the EM and OPM will follow.

ATTACHMENT II**CHILD CARE PROGRAM
LICENSING FEES**

<u>Capacity</u>	<u>Annual Fee</u>	<u>Application Fee</u>	<u>Location/Ownership/Corp Fee(s)</u>
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Family Child Care Homes

Small (capacity to 8 children)	\$60	\$60	\$30
Large (capacity of 9 to 14 children)	\$115	\$115	\$57.50

Child Care Centers

<u>Capacity</u>	<u>Annual Fee</u>	<u>Application Fee</u>	<u>Location/Ownership/Corp Fee(s)</u>
1 – 30	\$200	\$400	\$200
31 – 60	\$400	\$800	\$400
61 – 75	\$500	\$1,000	\$500
76 – 90	\$600	\$1,200	\$600
91 – 120	\$800	\$1,600	\$800
121+	\$1,000	\$2,000	\$1,000

ATTACHMENT III**RESIDENTIAL & ADULT DAY FACILITIES
LICENSING FEES**

All Residential Facilities except Foster Family Homes which have no fee
(ARF, RCFE, GH, SFH, SRF, and CTF)

Capacity	Annual Fee	Application Fee	Location/Ownership/Corp Fee(s)
1 - 3	\$375	\$375	\$187.50
4 - 6	\$375	\$750	\$375
7 - 15	\$563	\$1,126	\$563
16 - 30	\$750	\$1,500	\$750
31 - 49	\$938	\$1,876	\$938
50 - 74	\$1,126	\$2,252	\$1,126
75 - 100	\$1,314	\$2,628	\$1,314
101 - 150	\$1,502	\$3,004	\$1,502
151 - 200	\$1,751	\$3,502	\$1,751
201 - 250	\$2,000	\$4,000	\$2,000
251 - 300	\$2,250	\$4,500	\$2,250
301 - 350	\$2,500	\$5,000	\$2,500
351 - 400	\$2,750	\$5,500	\$2,750
401 - 500	\$3,250	\$6,500	\$3,250
501 - 600	\$3,750	\$7,500	\$3,750
601 - 700	\$4,250	\$8,500	\$4,250
701+	\$5,000	\$10,000	\$5,000

Adult Day Programs

1 - 15	\$75	\$150	\$75
16 - 30	\$125	\$250	\$125
31 - 60	\$250	\$500	\$250
61 - 75	\$313	\$626	\$313
76 - 90	\$375	\$750	\$375
91 - 120	\$500	\$1000	\$500
121+	\$625	\$1250	\$625

Foster Family Agency* and Adoption Agency:

\$1,250	\$2,500	\$1,250
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* FFA & FFA Sub-offices also pay \$80 per CFH.

Residential Care Facility for the Chronically Ill (RCFCI)

Capacity	Annual Fee	Application Fee	Location/Ownership/Corp Fee(s)
1-6	\$250 plus \$10 per bed	\$500	\$250
7-15	\$313 plus \$10 per bed	\$626	\$313
16-25	\$375 plus \$10 per bed	\$750	\$375
26-50	\$438 plus \$10 per bed	\$876	\$438
51+	\$438 plus \$10 per bed	\$876	\$438

ATTACHMENT IV

APPENDIX IV

OFFICE SUPPORT STAFF MANUAL PROCEDURES FOR PROCESSING REVENUE

GENERAL STATEMENT

ALL CHECKS AND MONEY ORDERS RECEIVED IN THE REGIONAL OFFICE MUST BE PROPERLY ENDORSED IMMEDIATELY UPON OPENING DAILY MAIL. Checks and money orders received by the Regional Office MUST be routed to the California Department of Social Services Cashiering Unit DAILY. The Regional Office will not accept cash. A Funds Receipt Log (LIC/FAS 9178) must be completed and used as a transmittal when sending checks and money orders to the Cashiering Unit.

Procedures for routing Checks and Money Orders to the Cashiering Unit:

- A. Verify that a Cash Receipt (GEN 12A/FAS Receipt) or a Civil Penalty Ledger Payment, Reduction, or Waiver Record Form (LIC 422A) is attached to each check/money order. (Refer to Section 500 for Licensing Fees process and Section 1200 for Civil Penalty Billing process.)
- B. Verify that all checks/money orders are stamped with a California Department of Social Services "For Deposit Only" stamp.
- C. Verify that the facility number is written on the lower left-hand corner on front of the check/money order.
- D. Complete a hardcopy of the Funds Receipt Log (LIC 9178) or print the Funds Receipt Log from FAS receipt database. If a hardcopy of the log is completed retain a copy in the Regional Office file. The FAS procedure maintains an e-copy in the database.
- E. Attach the completed Funds Receipt Log to checks/money orders and associated documents. **DO NOT STAPLE CHECKS/MONEY ORDERS TO LOG** or associated documents. Send the completed package to the Cashiering Unit, B-67.

Checks/money orders that fail to make the daily mail will be kept overnight in a locked cabinet for next day's mail. All staff having access to the secured cabinet will be identified on a list maintained by the Supervisor.