

**STATE OF NEW JERSEY  
DEPARTMENT OF CHILDREN AND FAMILIES**

DEPARTMENT POLICY GUIDELINE: DCF.PG97-1-2007

EFFECTIVE DATE: August 31, 2007

**SUBJECT: Department Equitable Interest in Contract Purchased Equipment**

**I. PURPOSE**

The purpose of this policy guideline is to provide assistance in understanding equitable interest in contract purchased equipment.

**II. POLICY QUERY**

How should the Department calculate its equitable interest for Equipment purchased with Contract funds? Should the calculation be accomplished before or after other revenues are used to offset Contract funding?

**III. POLICY INTERPRETATION**

**Revenue** as defined in Section 4.2 of the Department's Contract Reimbursement Manual (CRM) is the total income generated by the Provider Agency by means of its programs and activities. Such income comes from various sources such as other government contracts and grants, payments from non-contract clients, foundation grants, contributions, third party health insurance, fund raising, investment income and miscellaneous sources and credits.

**Department Contract Generated Revenue** as defined in the CRM includes all income generated by the Provider Agency in connection with the delivery of Contract services such as Department client fees, any interest, dividends, etc., earned on Department funds, third party insurance such as Medicare and Medicaid, and Department rental agreements.

**Note: The Department considers all Department and federal funds expended through a Department Contract as public funding, such funding shall be recognized as contributory financing towards the determination of equitable interest (See policy DCF.P4.05).**

The Department's equitable interest for cost related Contracts shall be determined in the following manner:

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- A. Equipment purchased using 100% Department funds will have a Department equitable interest of 100%, as long as there is documentation to support the purchase.
- B. When the Department is not the only funder, then the Department's equitable interest in Equipment purchased shall be the Department's percentage of Contract participation in the program for which the Equipment was acquired, plus any Department Contract Generated Revenue divided by the Provider Agency's annual total cost to operate that program.

Example

The Department's Contract participation rate is 75%, and the Provider Agency during the Contract term purchases a \$20,000 vehicle and the Department covers the entire purchase price of the vehicle, what is the State's equitable interest in the vehicle? Since the Department provided the entire amount of the purchase, the Department's equitable interest in the vehicle is 100%. If the purchase is made during the Contract year with funds from the Provider's total operating budget, the equitable interest would be 75% since the Department furnishes 75% of the Provider's total annual budget.

The Department's percentage of interest (equitable interest) in the Equipment is the same percentage as the Department's share of the Contract Total Cost. The equitable interest for Contract purchased Equipment shall be calculated using the **Reimbursable Ceiling line** added to any **Department Contract Generated Revenue** divided by the **Total Cost line** of the Annex B: Contract Summary Form. The calculation shall be accomplished before the **Department Contract Generated Revenues** are used to offset the **Total Cost line**. The Department's equitable interest shall be determined during Contract negotiations or adjusted, as appropriate, at the time of any Contract Modification, not after the Contract has expired.

Example

The Department's Reimbursable Ceiling line on the Annex B: Contract Expense Summary form is \$50,000, the Department Contract Generated Funds are \$15,000, and non-Department funds are \$35,000 equaling the Total Cost line of \$100,000, then:

$$\frac{\$50,000 + \$15,000}{\$100,000} = 65\% \text{ Equitable Interest}$$

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After the Department's equitable interest is determined, it shall be entered on the Provider Agency's Equipment inventory records and kept on file at the Provider Agency. The Provider Agency shall list the Department's equitable interest on the budget's Schedule 6: Cost of Equipment form prior to Contract signature. The Equipment schedule shall serve as the supporting document to the Contract budget for identifying the Department's equitable interest of any purchased Contract items. If necessary, the equitable interest may be revised, as appropriate, and noted on a new Schedule 6: Cost of Equipment form and secured to Attachment 1 of the DCF.P1.10 Contract Modification form. The revised percentage shall then be used to calculate any future Department equitable interest in Equipment purchased through the Contract.

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Commissioner