

STANFORD UNIVERSITY CHILD CARE SUBSIDY GRANT PROGRAM

GUIDELINES

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Child Care Subsidy Grant Program

OVERVIEW

The Child Care Subsidy Grant program (CCSG) provides a grant of up to \$5,000 a year to qualified employees with children under ten years of age. The purpose of the grant is to assist Stanford faculty and staff in meeting the cost of child care. The WorkLife Office determines your eligibility for a child care grant based on your application.

There are three application periods. Grants awarded during Application Periods A and B are funded by Stanford through Stanford's Dependent Day Care Flexible Spending Account (DCSA) plan and are tax free. ADP administers child care claims reimbursement based on the rules and regulations governing Stanford's Dependent Day Care Flexible Spending Account plan.

Grants awarded during Application Period C are prorated and taxable. (See "Application Periods.")

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APPLICATION PERIODS

There are three application periods for the CCSG grant each year. Each application period has specific eligibility requirements. You may apply only in the periods whose eligibility criteria you meet. All grants are made on an annual basis. **Employees must reapply for each year they wish to receive a grant.** The application periods for the CCSG grant are as follows:

Application Period	Application Deadline	Effective Date
A July to August You may apply if you are: renewing a grant, a first-time applicant, a new employee hired by the application period deadline or if you added an eligible child to your family by the application period deadline.	August (set annually)	January 1
B September to October You may apply if: You were hired or added an eligible child to your family between the deadline for Application Period A and the deadline for Application Period B.	October (set annually)	January 1
C* May 1 – May 15 (approx.) You may apply if: You were hired or added an eligible child to your family between the deadlines for Application Periods B and C, or you do not have a grant because you were not eligible during Periods A or B.	Mid-May (set annually)	July 1

*Grants awarded at this application period will be prorated for six months and will be taxable.

Amended Grants

If you currently meet the eligibility criteria in one application period and expect to add a new child dependent to your family in another application period, you should apply in the current period, then apply for an **amended grant** in the appropriate application period.

If you apply in Application Period A, and add a dependent child to your family in Application Period B, then the grant amount funded to your DCSA will be the total of the award from Application Period A plus the amendment grant from Application Period B. Your grant will be effective on January 1, and funding will follow the per-pay-period schedule.

Example 1: You are a continuing employee with a 3-year old child and are expecting a child in September. You should apply during Application Period A for your 3-year old, and then apply for an amendment to your grant during Application Period B, after the new child arrives. Your grant will be the total of the grant amount from Application Period A (e.g., \$2,000) plus the amount for second children. The total would therefore be \$3,000, divided into 24 credits to your DCFSA.

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If you apply in Application Period A or B, and then amend your application during Application Period C for a child added after October, then the grant amount funded to your DCSA will be the amount you were awarded from Application Period A (or B). The amended grant award (Application Period C) will be paid as a one-time payment, prorated, with taxes withheld.

Example 2: You are a new employee, hired September 1, who has a three-year old. You are awarded a grant for \$2,000, which begins to be funded to your DCSA in January. Your second child arrives in March, and you apply to amend your grant during Application Period C. In July you will receive a check for \$500, from which taxes will be withheld, for your second child. Funding will continue to your DCSA for the whole calendar year for your three-year old, subject to other program rules.

Example 3: You are a continuing employee with a 6-year old. You apply for and receive a grant of \$1,000 during Application Period A. In April you adopt an infant and apply to amend your grant during Application Period C. You will receive a prorated payment less any applicable taxes for the amount for which you qualify based on your family's adjusted gross income projections for the infant. The funding to your DCSA will continue for your 6-year old for the duration of the calendar year, subject to other program rules.

If you already have a grant for two or more children and a third child newly joins your family, you will be ineligible for any additional grant funds.

How to apply for an amended grant

If you have received a grant during a prior application period and you are applying for an amendment to your grant due to an additional child dependent, you need only supply the following:

1. A new completed, signed application with the "Amendment" box checked
2. Proof of new dependent status; e.g. copies of birth or adoption certificate, custodial award documents

Tax and wage information are not required for the amendment *unless* there is a change in your or your spouse/partner's employment status.

HOW IT WORKS

CCSG grants are awarded according to financial need, as determined by Stanford, after taking into account your adjusted gross family income and the number of dependent children under age ten in your household.

If you are awarded a grant during Application Periods A and B, you must accept the grant during Open Enrollment. Accepting the grant by clicking the appropriate box online will automatically enroll you in a Dependent Day Care Flexible Spending Account (DCSA) for the following calendar year. Once enrolled, your grant is credited to your DCSA on a per-pay-period basis throughout the plan year. Your eligible child care expenses will be reimbursed in accordance with terms of the DCSA up to your grant amount for that year. For expenses for children aged ten to twelve, you may contribute your own funds pre-tax to the DCSA.

Providing the grant money through the DCSA allows you to exclude the value of the grant from your taxable income. If you qualify for a CCSG grant, you are responsible for understanding and complying with the rules and regulations that govern Stanford's Dependent Day Care Flexible Spending Account plan. Federal tax law has strict rules about the use of these accounts. These rules must be followed without exception.

One of the most important rules is the "use it or lose it" rule. This rule means that if you have a DCSA balance remaining at the end of the plan year:

- after submitting all eligible claims,
- because you forgot to submit claims, or
- because you submitted claims after the deadline,

those remaining DCSA funds are forfeited. There is no tax penalty to the employee for not using all the funds in your DCSA, except the forfeiture. (See IRS Publication 503, "Child and Dependent Care Expenses" at www.irs.gov)

There are other rules regarding the DCSA which may affect the total amount of grant money you are reimbursed. See especially the "Family Status Changes" section of these guidelines. The publication "When your life changes" on the Benefits web site describes Life Event Changes that qualify for new benefits elections (changes to existing benefits) which pertain to the Dependent Day Care Spending Account and other benefits. To print a copy, go to <http://benefits.stanford.edu>. Select the "Life Event" link, then click on "When Your Life Changes" on the lower right side of the page. The Benefits web site also contains links to other helpful sources of information, including the Internal Revenue Service.

When you accept the grant and are enrolled in the Dependent Day Care FSA, your total grant amount is divided by 24 and credited to your DCSA on a *per-pay-period basis* throughout the plan year. Once the money is credited to your DCSA, you may request reimbursement for eligible child care expenses for your children under age ten. Expenses must be incurred during the calendar year following the grant application period.

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Forms for requesting reimbursement and submitting claims are available on the Benefits web site, the WorkLife Office web site and the ADP web site, <http://www.flexdirect.adp.com> or from the WorkLife Office or the Benefits office.

If awarded a grant during Application Period C, the grant will be prorated for the period of July 1 through December 31 and will be awarded in one payment rather than via the reimbursement process. The grant will have all applicable taxes withheld and will be auto-deposited to your checking account or delivered in the same manner as your regular “live” paycheck if you do not have auto-deposit. Any grant *amendment* awarded during Application Period C will also be prorated and taxable, and distributed in the same manner.

You must reapply for a grant for every year you wish to receive a Stanford subsidy for your child care costs.

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ELIGIBILITY

Employee Eligibility

All employees eligible for Stanford benefits, including part-time employees, may apply for a CCSG grant. As a Stanford employee you must be benefits eligible, which means you:

- work at least 50% FTE or more; and
- have an appointment scheduled to last six months or longer (four months if represented by United Stanford Workers).

Child's Eligibility

To be considered eligible, your dependent children must be born on or before the appropriate application deadline and be nine years old or younger on January 1 of the award year. If your child turns age ten during the calendar year in which you are receiving a grant, reimbursements will continue to be paid for eligible child care expenses incurred for that child for the balance of the calendar year, up to the CCSG grant amount. "Dependent children" include your natural children, legally adopted children, stepchildren, and any other children for whom you are the legal guardian or for whom you have court-awarded custody and who are claimed as dependents on your household income tax return(s).

Additional Eligibility Requirements

You must also:

Be unmarried, or have a spouse/domestic partner* who is:

- employed at least 50% time, or
- a full-time student, or
- disabled as defined by the Internal Revenue Code.
-

*Stanford recognizes registered same-sex domestic partners or opposite sex domestic partners over 62 years of age.

Any child for whom you are incurring eligible child care expenses must be claimed as a dependent on your household income tax return(s).

At the time you apply for the CCSG grant your family's projected adjusted gross income for the coming year must be less than \$125,000.

FINANCIAL NEED

To be considered for a grant from the CCSG program you must show "financial need." The program determines financial need based on your family's household income. Those

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with lower household incomes are deemed to have a greater need. Your household income is based on the following:

- The current wages of the wage-earners in your household; and

Current Wages are the taxable gross incomes shown on each household wage-earner's current pay stub, multiplied by the number of pay periods required to arrive at an annual taxable gross income amount. For self-employed wage earners, it is the taxable income estimated for purposes of mandatory quarterly tax payments. When applying for a CCSG grant, you must submit a copy of two of your most recent pay stubs as well as two of the most recent pay stubs of any other household members whose tax returns have been submitted.

- The Adjusted Gross Income of your family.

Adjusted Gross Income is the amount shown on lines 35 and 36 of Internal Revenue Service form 1040, or its equivalent on form 1040A, for the tax year immediately prior to year in which you apply for a grant. If you are married and file a separate tax return from your spouse, or you are in a same-sex domestic partnership, you will need to submit copies of all relevant tax returns to determine Adjusted Gross Income for the household.

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SPECIAL NEEDS

If a family member who is a tax dependent requires extraordinary care which extends the financial burden of normal child care, these additional expenses may qualify you for an additional grant of \$1,000. The application form provides an opportunity for you to attach a description of special needs that might qualify you for a larger grant. You must provide documentation of the diagnosis and proof of these additional expenses (such as contracts or paid invoices from providers).

Note: The maximum total annual grant amount cannot exceed \$5,000 regardless of special needs.

Examples of special needs include but are not limited to speech or occupational therapy, or training not provided for, subsidized, or qualified for reimbursement by a Health Care Spending Account or any other entity. Situations not considered to be special needs include (but are not limited to): multiple-birth children; paying above average child care rates; or having high monthly non-child care expenses, including housing or loans.

The WorkLife Office will evaluate requests for special needs to determine if an additional \$1,000 in grant funds may be awarded. No more than \$1,000 will be awarded per household, no matter how many special needs are documented. Applicants seeking additional funding due to special needs will receive separate notification of any special need award.

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ANNUAL GRANT AMOUNTS

The chart below shows the grant totals for the year beginning January 1, 2007. CCSG grants are based on your adjusted gross family income and whether you have one child under age ten or two or more children under age ten.

Family Adjusted Gross Income*	Grant Amount Child 0-5**	Grant Amount Child 6-9**
\$ 0 - 54,999	\$5,000	\$1,000
55,000 - 89,999	\$3,500	\$1,000
90,000 - 124,999	\$2,000	\$1,000
Maximum additional grant for 2 or more eligible children	\$1,000	\$1,000

*Based on prior year's tax return(s) and current projected income

**The total grant may not exceed \$5,000, regardless of the number of children claimed or special needs.

\$5,000 Annual Limit

Because of the strict IRS rules that apply to the DCSA and the tax-free nature of this program, grant amounts cannot exceed \$5,000 per year, per family. In addition, the combination of grant funds and any funds you contribute to your DCSA cannot exceed \$5,000. For example, if your grant amount is \$2,000, you may choose to contribute \$3,000 from your wages to your DCSA for a total of \$5,000. To make additional contributions from your wages, you must indicate the *annual* amount you wish to contribute when you enroll in the DCSA online during Open Enrollment. **Note: if you receive a \$5,000 grant, you cannot contribute any additional funds to a DCSA, whether at Stanford or through your spouse's employer.**

APPLICATION PROCESS

- Applications and instructions are available on the WorkLife Office web site, <http://worklife.stanford.edu/>.
- Determine the Application Period for which you are eligible to apply (see “Application Periods”).
- To apply for a grant, you must complete the CCSG application and attach copies of all applicable household income documentation (see “Financial Need”).
- **You must apply annually.** Grants are **not** automatically renewed.

Grant qualification is contingent upon eligibility review and approval of your application.

Completed applications and supporting documentation must be postmarked by the appropriate deadline and mailed to:

WorkLife Office
CCSG Applications
P.O. Box 20554
Stanford, CA 94309

Please note:

- Applications must be *mailed* to the WorkLife Office P.O box (above) by the application period deadline for which you are applying.
- The WorkLife Office is not able to accept applications sent by fax, ID mail, or delivered in person.
- Any incomplete or late application may be disqualified.

Tax Implications

If you are awarded a CCSG grant, there may be tax implications if:

- You are married but file your taxes separately
- You have custody of your child/ren, but your ex-spouse claims them on his/her taxes (or you alternate claiming the child/ren on your taxes)
- Your spouse has no earned income for the tax year, even if your spouse is looking for work and receives unemployment compensation
- You are in the process of divorce or are legally separated.

Employees should consult their tax professional before accepting a grant award.

Confidentiality

All applications and documents submitted to qualify for a CCSG grant shall be treated as a confidential personnel file maintained by the WorkLife Office or its authorized agent.

GRANT APPROVAL NOTIFICATION

Unless you request additional funds due to special needs, grant notification will be mailed to your home approximately one month after the application deadline.

Notification of grants for special need will be mailed to your home approximately one month after the basic grant notification.

HOW TO OBTAIN GRANT FUNDS – APPLICATION PERIODS A & B

Step 1: Enroll in a DDCSA

During Open Enrollment you must indicate your acceptance of the CCSG award by checking the appropriate box online. This action will automatically enroll you in a DCSA. General Open Enrollment instructions will be mailed to your home by the start of Open Enrollment.

If you fail to indicate your acceptance and enroll in the DCSA plan or fail to abide by the plan's rules and regulations, you will not be able to take advantage of the grant and your grant money will be forfeited.

It is a federal requirement that DCSA participants make an active election each year. If you do not take the appropriate action to elect the DCSA account and your CCSG award, Stanford cannot fund the grant.

Step 2: File a Claim

Child care costs must be incurred before you request reimbursement from the DCSA. The IRS considers an expense to have been "incurred", when you have both paid for the service and received the service. Only child care expenses incurred during the plan year beginning Jan. 1 are eligible for reimbursement from your DCSA.

Download a claim form from the ADP web site, www.flexdirect.adp.com, or from the Benefits web site, <http://benefits.stanford.edu>, or you can obtain a paper form from Benefits or the WorkLife Office.

Complete the claim form and attach a receipt of payment. Your claim must include: dependent's name, date of birth, and relationship to you dates of service, costs of service, name of provider, provider's tax identification number or social security number. Mail or fax your claim to ADP. Cancelled checks are **not** proof of payment.

ADP will determine whether the expense incurred is eligible for reimbursement under DCSA plan rules and will issue a check to you for services received to date, up to the balance available in your DCSA account.

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Only child care expenses documented with the tax payer identification number or social security number of the care provider, as required by the Internal Revenue Code, can be reimbursed. No reimbursements will be made for care provided pursuant to informal or "under the table" arrangements.

Step 3: Receive Reimbursement

The annual grant amount will be divided into 24 payments. Grant amounts are credited to your Dependent Day Care FSA in equal installments on a per-pay-period basis. The IRS allows you to receive reimbursements from your DCSA only for expenses that are eligible, incurred, and for which there is a sufficient balance in your DCSA. Reimbursement checks are issued based on the balance available in your account and the dollar amount of the claims you have submitted to ADP. If your account balance is not high enough to cover your full claim, you will receive whatever balance is available. Subsequent reimbursements will be issued against your eligible claims as future contributions (yours and Stanford's CCSG amounts) are credited to your DCSA.

Example: Your grant amount is \$2,000, or \$83.33 per pay period. On January 1, you pay \$800 for childcare for January. Your child care provider's receipt reflects that the amount is for services for January 1 through January 31. You submit the receipt to ADP on January 7. On January 7, Stanford makes a \$83.33 grant payment to your DCSA, so that money is available in your account. However, on January 7, you have not completely "incurred" the child care expense because you have not received an entire month of childcare; you have received only a fraction of the child care for the month. When ADP considers a substantial amount of the care to have been incurred, it will begin releasing reimbursements to you.

(See also "Use It or Lose It," "Family Status Changes," and "Family Status Changes and Your DDCSA Contributions.")

HOW TO OBTAIN GRANT FUNDS: APPLICATION PERIOD C

Employees hired between October and May, or employees who add new child dependents to their families between October and May, or who do not have a grant because they were not eligible during Periods A or B may apply for grants during Application Period C, May 1 through 15 (approximately), each year. Application Period C grants are not administered through the DCSA due to IRS regulations. The grants are prorated for the period of July 1 through December 31 and will:

- Be paid in one lump sum
- Be issued as a special check or a separate deposit to their checking account
- Have all applicable taxes withheld
- Be reflected as income on your W-2 at the year's end

USE IT OR LOSE IT (Application Periods A & B)

Any unused balance in your DCSA at the close of the plan year will be forfeited and will not be available to you in any other form or manner, but will remain the property of Stanford. The CCSG grant is not transferable, portable, or to be paid directly to you in any manner other than that specified above.

Guidelines for the use, changes in and reimbursement of Dependent Care Spending Account funds are summarized in the *Flexible Spending Account Summary*, available in the Resource Library on the Benefits web site, <http://benefits.stanford.edu>

FAMILY STATUS CHANGES (Application Periods A & B)

Once you qualify for a grant, the amount of the grant remains in effect for the full plan year. However, certain circumstances may impact your ability to receive reimbursements from your DCSA, or to receive your full grant amount:

If you divorce or your same-sex domestic partnership dissolves

If your marriage or same-sex domestic partnership dissolves and you no longer have custody of the child(ren) for whose care the grant was made, or you are no longer responsible for child care costs for the child(ren), you must notify the WorkLife Office so that the University can determine whether you are still eligible for the same, or a smaller grant.

If you go on an unpaid leave of absence (Staff and Academic Staff, including Lecturers)

If you qualify for a CCSG grant and you go on unpaid leave of absence during the calendar year in which you are awarded the grant (including having 9- or 10-month pay as academic staff or lecturer), any contributions you or the University are making to your DDCSA will automatically stop while you are on unpaid leave or have no pay.

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If you return from the leave or your pay restarts before November 1, your deductions and the University's contributions will start again, but at a recalculated rate. The amount of grant you actually receive will equal the 12-month grant. However, *any dependent care expenses incurred during your leave are not eligible for reimbursement.*

If you return from the leave during November, every effort will be made to reinstate both your deductions and the University's contributions prior to the last pay period of the calendar year, December 1 to 15, subject to administrative systems deadlines and limitations.

If you return from the leave during December, it will not be possible to recalculate your award, and the amount of grant you actually receive will be reduced to the amount you had received at the time you began your leave.

Note: To insure the reinstatement of your CCSG and DCSA upon your return, contact Benefits at (650) 736-2985, option #9, or at 1-877-905-2985, option #9..

Example:

You receive a grant of \$2,000 effective January 1.
The amount the University contributes to your DCSA per pay period is \$83.33 ($\83.33×24 pay periods = \$3,000).
You go on an unpaid leave of absence on April 1 and return on June 1, thereby missing 4 pay periods, or \$333.32 in grant contributions. In June the University resumes contributions of \$125.00 per pay period;
This means that at the end of the calendar year the total amount contributed to your DCSA by Stanford will be \$2,000, even though no contributions were made while you were on an unpaid leave.
The IRS requires Stanford to stop DCSA contributions when you are on an unpaid leave of absence, even if you are paying for childcare during that leave. Any dependent care expenses incurred during your leave are not eligible for reimbursement.

If you have 9- or 10-month pay (Faculty only)

If you are faculty on a 9- or 10-month pay schedule, breaks in your pay may affect contributions to your DCSA. To determine if CCSG contributions are continuing in your particular pay situation, *first check your online ADP balance (www.flexdirect.adp.com) about 10 days after a payday during a break in your regular pay schedule.* If there is a problem, please contact the Benefits Office at (650) 736-2985. If necessary, your grant contribution may need to be recalculated to insure you receive the full annual amount of your grant.

If your employment at Stanford terminates

If your employment at Stanford terminates, your grant will cease as of your termination date. You can submit claims and request reimbursement for any balance remaining in your DCSA as of your termination date. Eligible expenses must be incurred between January 1 and December 31 of the grant year.

If your child dies

If your child is covered under the grant and your child dies, it is assumed there will no longer be any eligible claims incurred, and the remainder of the grant will be forfeit. If more than one of your children is covered under the grant and one of your children dies, you must notify the WorkLife Office so that the University can determine whether you remain eligible for the same or a smaller grant.

If you die

If you are awarded a grant and you die, all payments into the account will cease. Your surviving spouse or domestic partner can submit claims and request reimbursement for up to the balance remaining in the account at the time of your death. Eligible expenses must be incurred between January 1 and December 31 of the grant year.

FAMILY STATUS CHANGE AND YOUR DDCSA CONTRIBUTIONS

If you receive a CCSG from Stanford, you can elect to make additional contributions from your wages on a pre-tax basis so that together the grant and your contribution will add up to the maximum annual total of up to \$5,000 in your DCSA. You cannot change or stop your contributions during the plan year unless you have a qualifying family status change. You have 31 days including the date of the qualifying event to change your contribution online. To find out what changes in your life allow you to change your DCSA amount, go to the “When Your Life Changes” page at <http://benefits.stanford.edu>. Select “Life Event,” then click on “When Your Life Changes” at the lower right.

While these guidelines identify some of the most common potential changes, not all changes can be anticipated in advance. If you experience a change not listed in these guidelines, notify the WorkLife Office so that the University can determine the effect, if any, on your eligibility for a CCSG grant.

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YOUR OBLIGATIONS

If you are awarded CCSG grant you have the following obligations:

- Be completely truthful on the application for a grant. Misleading the University on a CCSG application could result in adverse consequences including, but not limited to, having a grant revoked, being required to repay to the University amounts received pursuant to the grant, being barred from seeking future CCSG grants, or even being fired.
- Understand and abide by all rules and regulations that govern Stanford's Dependent Day Care FSA.

PROGRAM ADMINISTRATION

The WorkLife Office at Stanford University determines CCSG grant eligibility.

WorkLife Office
CCSG Applications
P.O. Box 20554
Stanford, CA 94309
Phone: (650) 723-2660, TTY: (650) 723-1216

ADP administers Dependent Day Care Flexible Spending Account claim payments. You can download the dependent care spending account claim form from the ADP web site, <http://www.flexdirect.adp.com>. You can also contact ADP at:

ADP Claims Processing
P.O. Box 1853
Alpharetta, GA 30023-1853
Phone: (800) 654-6695
Fax: (678) 762-5900 or (866) 392-4090 (Do not attach fax cover sheet)

LEGAL AND OTHER INFORMATION

Stanford University reserves the right to amend or terminate the rules, procedures, award formulas and grant amounts, or any other component of the CCSG program, at any time and from time to time. Employees shall be notified of such changes as required by law.

The CCSG is a method for subsidizing some or all of the dependent care assistance benefits provided in the Stanford University Dependent Day Care Flexible Spending Account Plan, a dependent care assistance program pursuant to section 129 of the Internal Revenue Code and a component plan of the Stanford University Flexible Benefits Program, a plan under section 125 of the Internal Revenue Code.

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All rules of the Flexible Benefits Program and its component plans are incorporated herein by reference. Should any conflict arise between these guidelines and the provisions of either of the above-described plans, the Plan Administrator of the Flexible Benefits Program, or his/her authorized delegate, shall resolve such conflict, and any such decision by the Plan Administrator shall be final and binding.

No grant recipient has any vested right in any grant amount awarded or credited to his or her DCSA. All amounts credited to a DCSA remain the property of Stanford until a reimbursement check is issued by the Dependent Day Care FSA claims administrator.

No grant award in one year guarantees the recipient any right to an award during any other year.