



1 Dundas Street West, Suite 2500
Toronto, Ontario M5G
Tel: (416) 646-0513
Fax: (416) 979-4627
www.omssa.com

Information Alert

First Step in Child Care Modernization Under Way with New Funding Model

December 19, 2012

On December 18, 2012, the Ministry of Education shared with Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) Ontario's new child care funding formula and framework.

The new funding approach is the first significant step in transitioning Ontario's child care to a modern system.

Informed by feedback received in response to the government's [discussion paper](#); *Modernizing Child Care in Ontario: Sharing Conversations, Strengthening Partnerships, Working Together*, as well as from advice received through the Child Care Funding Formula Working Group, of which OMSSA was a member, established under the AMO and City of Toronto Memorandum's of Understanding (MOU), the new formula seeks to provide greater flexibility, responsiveness, and stability in the current child care system.

In addition to information on the new funding formula, service managers also received the new child care service management and funding guidelines to guide implementation of the new approach for 2013.

Importantly, 2013 will be considered a transition year. The Ministry of Education will be working with service managers, OMSSA and other partners, including establishing a working group, to receive feedback to address implementation challenges. This is good news.

Overview of the New Child Care Funding Formula and Funding Framework:

The design of the new model is intended to be: flexible, transparent, responsive and evidence based.

Moving away from a static and rigid approach, and multiple detail codes, the model is based on live data elements thought to be important to measure and guide local funding. This includes data from Statistics Canada related to northern and rural dispersment, cost of living and language as examples. The ministry used the same data sets captured in the Ontario Municipal Partnership Fund (OMPF) for rural and northern aspects of the model.

Ontario's child care funding envelope is approximately \$922 million annually.

Funding framework components of the new model include:

- Core service delivery (\$718.4m): comprised of operating (including: general operating, special needs resourcing, Ontario Works, fee subsidy);
- Special Purpose (\$193.2m): this is the “live” aspect of the model which includes the following elements: rural/remote component (\$28m), language, FDK transition, cost of living, aboriginal, quality/professional development, transformation, small water works, Territories Without Municipal Organization (TWOMO), new utilization and repairs and maintenance; and
- Capital (\$8.8m): minor retrofit capital.

The new model also includes \$68.4 million in new funding which is 100% provincial funding and will be applied incrementally over the next few years.

It is important to note that cost of administration expenditures have been benchmarked and will be an amount that is either 10% of the total CMSM/DSSAB allocation or the amount reported by service managers in the 2011 Financial Information Returns System. The amount will be reflective of whether funding allocations to a service manager have increased or decreased.

Special Needs Resourcing Funding will be benchmarked at 4.1% of service manager funding, however, CMSMs or DSSABs can spend a greater amount depending on local need.

Recognizing a new approach to funding using new elements and weighting of these, would result in the reallocation of funding across service manager areas, and significantly, changes in funding envelopes, in addition to the new funding, the ministry introduced a number of mitigation tools intended to ensure against any funding decreases for approximately 4 years.

Mitigation Tools:

- Utilization Grant: \$30 million based on prior year spending reflecting over and under spending across service managers and special purpose allocations based on cost of living, rural remote factors etc.);
- \$50 million mitigation funding: previously announced and now to be allocated in one lump sum in the first funding allocation to service managers. Funding was allocated across service manager areas with the intention to stabilize funding for 4 years. Service managers have the discretion to determine how this money is used; and
- 10% cap on funding reductions.

Implications on CMSMs and DSSAB:

The Ministry has indicated it was committed to ensuring that the new funding model would:

- Maintain the current level of investment in the child care system;
- Not subject the municipal sector to a transfer of risk, specifically increased cost exposures; and
- Adhere to the principles of the Provincial Municipal Fiscal and Service Delivery Review (PMFSDR) with no new costs being downloaded to CMSMs and DSSABs.

Reallocating funding based on the measures outlined above has resulted in increased and decreased funding allocations across service managers. Specifically the model has sought to address those

overspending based on local need and those who have underspent in areas where demand on previous funding lines did not exceed funding.

What this means is, those who have underspent in areas will see their funding clawed back and reallocated based on the model and to those who have received increased funding. This amounts to approximately \$19.4 million dollars.

Cost reductions will be capped and maintained at 10%, these same service managers will also see a reduction in their cost share requirements. Overall, municipal cost share contributions will be held at 2012 levels with no one experiencing a cost share increase.

Offering this preliminary overview and understanding of the funding model, OMSSA recognizes the good work our ministry partners have undertaken and the efforts made to ensure that local child care systems will not be destabilized at this time because of reduced funding.

It is anticipated, that a new and flexible approach to funding will provide the opportunity for service managers to address service pressures in ways not previously possible. This of course, means that unlike previous years, no service manager will be underspent, recognizing the ongoing pressures and need for child care and its various aspects in all corners of this province continues to grow.

This is an important first step in modernizing our current child care system. However, OMSSA recognizes the ongoing funding challenges and shortfalls including the need for federal commitment on this important program.

Over time the application of the model will reveal its strengths and challenges including impacts on service levels. At first blush, OMSSA is concerned with how the approach to cost of administration funding and special needs resourcing will respond to local pressures and realities.

OMSSA would like to hear from its members and will be working with them and its provincial partners to ensure the model will be applied and respond to the needs of families and children across Ontario in the best possible way.

Resources

All documents including the webinar slide presentation will be posted on the [Financial Analysis and Accountability Branch \(FAAB\)](#) website.

The presentation is also available on the [webinar website](#).

For more information please contact:

Petra Wolfbeiss

Director of Policy and Public Affairs, OMSSA

pwolfbeiss@omssa.com

(416) 479-8254