

Ministry of Education

2013 Child Care Funding Formula and Framework

Qs & As
March 2013

General Overview

1. What is the purpose of the new child care funding formula?

The new funding formula better meets the needs of children, families and child care operators by responding to changing population and demographics across the province.

It allocates funding in the 2013 calendar year to Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) under three main components:

- Core Service Delivery;
- Special Purpose and;
- Capital.

The formula is based on publicly available, third-party measures that more accurately reflect child care demand and program cost structure at a community level compared to current historical allocations. Data elements are primarily drawn from Statistics Canada sources and, under Ontario's new child care funding formula, determine 93% of provincial child care funding provided to CMSM/DSSABs¹.

As a result of the extensive use of publicly available data, CMSMs/DSSABs will have the capacity to more easily anticipate future funding. This is another very significant benefit of the new funding formula for CMSMs/DSSABs, in support of their work leading and conducting multi-year service planning in communities.

2. What are the key data elements used in the new funding formula?

The key data elements include:

- *Child Population* (0 to 12 year olds) from Statistics Canada and Ministry of Finance which assesses the demand for licensed child care services across the province;
- *Demographic* changes to measure demand for *fee subsidies*, such as Low Income Cut Off (LICO), Level of Education Attainment and Ontario Works Caseload data; and
- *Demographic* changes to measure demand for *other child care cost drivers*, such as cost of living indicators, Aboriginal population data, French speaking populations

¹ The remaining 7% of provincial funding is driven by Ontario Works caseload data (4%) and CMSM/DSSAB spending patterns (3%).

and populations that have no knowledge of either official language, and measures related to rural and remote communities.

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For detailed information regarding data elements and calculations in the new funding formula, please refer to pages 5 to 11 in the Child Care Funding Formula Technical Paper 2013, available on the Ministry of Education website using the following link: http://faab.edu.gov.on.ca/CCMemos_2012.htm

3. What does it mean that the funding formula is based on “live” data? How often will the formula be updated?

Being “live” means that the most recent data available will be used to calculate funding on an annual basis. For example, population projections provided by the Ministry of Finance will be updated on an annual basis.

There are cases where, because of time lag and redistributive impacts, updated data will be phased into the funding formula. For example, updates to census data made available every five years will likely be phased in over the next census cycle.

Child care funding allocations for CMSMs/DSSABs are calculated annually, and are fixed for the calendar year.

4. How is the Ministry supporting CMSMs/DSSABs seeing decreases to ongoing funding as a result of the new funding formula?

Because of one-time mitigation funding, no CMSM/DSSAB is seeing a decrease in 2013, and in fact, all CMSMs/DSSAB get an increase. There are two reasons for this. First, the Ministry capped decreases in ongoing funding at 10 percent, and as a second measure provided \$50 million in mitigation funding.

To minimize redistributive impacts on CMSMs/DSSABs the Ministry capped decreases to ongoing funding at 10%, allowing time to transition service delivery to reflect the new funding formula and framework. This means that for 2013, no CMSM/DSSAB allocation of ongoing funding will decrease by more than 10 percent (excluding mitigation funding) when compared to their 2012 allocation. For detailed information regarding capping mechanisms in the funding formula, please refer to page 17 in the Child Care Funding Formula Technical Paper 2013, available on the Ministry website using the following link: http://faab.edu.gov.on.ca/CCMemos_2012.htm

In addition, the Ministry is providing \$50 million in one-time funding this year to mitigate the potential impact of the new funding formula on individual CMSMs/DSSABs, by

reducing year over year decreases for some CMSMs/DSSABs that may result from the redistribution of funds as the new funding formula is implemented.

This funding, along with additional strategies, is permitting the introduction of a new funding formula in a measured way that allows communities to plan for the changes ahead. Moreover, as a result of these strategies, no CMSM or DSSAB will actually experience a change in funding levels for almost four years.

In addition, all new funds are being invested in the formula by the Province as 100% provincial contributions. This is consistent with the approach the government has pursued in providing new child care funding since 2003 without requiring any municipal cost share. The dollar value of CMSMs/DSSABs minimum required cost shares remain the same as they were in 2012, or they are reduced.

5. What approach did the Ministry take for cost-share in the new funding formula and framework?

The Ministry used the following guiding principles to support its approach to cost-share:

- Set out that the new formula is neither an uploading nor downloading exercise;
- Do not transfer known financial risk to the municipal sector; and,
- Maintain current level of child care investment in the sector.

No CMSM/DSSAB is paying more as a cost-share requirement than it was in previous years, even if its funding increases. Cost-share requirements decline proportionately in those areas where ongoing funding decreases.

For detailed information regarding cost share requirements, please refer to page 23 in the Child Care Funding Formula Technical Paper 2013, available on the Ministry website using the following link: http://faab.edu.gov.on.ca/CCMemos_2012.htm

6. What happens to the additional investments made by municipalities that are currently contributing more than their minimum cost-share?

The Ministry recognizes that municipalities have, in some cases, contributed more than their minimum required share of funding.

For those municipalities that have contributed above their minimum required cost-share, a new Utilization Allocation based on prior year spending patterns rewards those additional contributions with additional provincial funding. For those that historically underspent their allocation, 50% of underspending is reinvested to the benefit of over-contributors through this allocation as well.

For detailed information regarding cost share requirements, please refer to page 12 in the Child Care Funding Formula Technical Paper 2013, available on the Ministry website using the following link: http://faab.edu.gov.on.ca/CCMemos_2012.htm

7. Will funding be used to create more child care spaces or reduce waitlists?

The new child care funding formula takes into consideration demographics, geography and local needs to stabilize and support the existing system. The funding formula gives municipalities more flexibility so they can adapt their funding to meet local needs. In some cases, funding may be directed to help mitigate waitlists, while in others it may be used to create more spaces.

There is greater flexibility for municipalities to allocate funding based on local demand. There will be some differences in how municipalities use funding to address waitlists. Municipalities that have some excess capacity in the system may be able to simply offer additional subsidized spaces. If, however, there are no child care spaces available and funding increases allow, then the municipality may also add capacity, which may be of benefit to those who can pay full fee as well as those in need of subsidies.

Transformation takes time, and over the next three years, the primary focus remains on stabilizing and transforming the current system to enable higher-quality, consistent services.

8. Does the new funding formula include supports for child care staff wages?

The focus of the new funding formula and framework is to move away from funding lines that focus only on compensation towards a more modern structure in which municipalities are able to provide general operating support to operators which can address a much broader range of operational costs including wages, utilities and occupancy costs.

This flexibility will give municipalities an important tool to focus on stabilizing revenues for operators and the supply of spaces and fees for both full fee and subsidized families. It can also provide temporary assistance as child care programs re-design their services for younger children.

For further detail regarding supports for wages, please refer to page 38 of the Ontario Child Care Service Management and Funding Guideline 2013, available on the Ministry website using the following link: http://faab.edu.gov.on.ca/CCMemos_2012.htm

9. Page 5 of the Guideline states that “some requirements in the Guideline may be implemented in 2014”. Which requirements are the Ministry referring to?

The Ministry understands that a number of these new policies will take time for CMSMs/ DSSABs to implement. The portions of the Guideline that have not changed significantly include: Ministry business practices, fee subsidy, pay equity, special needs resourcing, administration, small water works, Territory without Municipal

Organization, repairs and maintenance, transformation and capital retrofits. These should be implemented in 2013.

However, the Ministry understands that implementation of the new or largely revised sections including: general operating, capacity building, play-based material and service planning may take additional time to implement. As 2013 is a transition year, Child Care Advisors will support CMSMs/DSSABs that require additional time for the implementation of these new requirements throughout this period of transition.

10. Numerous times in the Guideline, there are references to municipal policies and community planning and transparency. Will policies and planning processes be reviewed and approved by the Ministry, and if so, how?

The Ministry is interested in reviewing the new policies that CMSMs/DSSABs develop to support the implementation of the new funding framework. However, as the service system managers for child care, CMSMs/DSSABs are responsible for the development and implementation of local child care policies; Ministry approval will not be required. In order to support transparency and accountability, CMSMs/DSSABs are encouraged to make their local child care policies easily accessible to the community (e.g. through posting them online etc.).

As outlined page 60, the Ministry will be seeking advice from CMSMs and DSSABs through means such as the provincial/municipal child care reference group, the child care funding formula working group and regional discussions to inform the 2013 service planning process and to provide information about how the new funding changes have been applied locally.

Ministry Business Practice Requirements

11. The funding formula establishes funding, then CMSMs/DSSABs have flexibility to meet community needs using the allocations in Schedule C of their service agreement. Are there specific requirements to match the funding formula to expenditure reporting?

The new funding framework moves from funding allocations that are limited to specific expenditures, to a new framework of flexible funding allocations that can be spent on a range of expense categories. The allocation and expense reporting functions have been separated. There are a few exceptions:

- Funding cannot be transferred out of capacity building funding; however, additional funds can be moved from other allocations to spend on capacity building.
- For CMSMs/DSSABs that receive a small water works allocation for 2013, no funding may be transferred out. Funds can be used from other allocations to increase small water works expense, whether an allocation was received in 2013 or not.
- Capital Retrofits - funding may be transferred into, but not out of Capital Retrofits

- Transformation – funding may be transferred into Transformation, and may be transferred out to offset the expenses associated with Capital Retrofits ONLY.
- Funding for Territory without Municipal Organization is claims based and will be funded based on actuals.

Please refer to pages 10 and 20 of the Guideline.

12. If CMSMs/DSSABs meet one of the contractual service targets, does this mean they will not be penalized? Or do they have to meet all three?

If the CMSM/DSSAB meets one of the contractual service targets within 10%, there will be no penalty applied. Should the CMSM or DSSAB not meet all three contractual service targets by 10% or more in the aggregate, the entitlement and cash flow will be reduced by 1% for every 10% missed to reflect the underachievement of contractual service targets.

13. Can CMSMs/DSSABs reallocate surplus funds after all targets are met, or just one target?

The new funding framework moves from funding allocations that are limited to specific expenditures, to a new framework of flexible funding allocations that can be spent on a range of expense categories (with limited exceptions). The allocation and expense reporting functions have been separated. It is expected that CMSMs/DSSABs will allocate funding to expense categories in a way that supports the achievement of service targets, and reallocate funding over the course of a year as needed. Should the CMSM or DSSAB not meet all three contractual service targets by 10% or more in the aggregate, the entitlement and cash flow will be reduced by 1% for every 10% missed to reflect the underachievement of contractual service targets.

14. How does the utilization component tie into reporting requirements? How will 100% municipal contributions be captured in EFIS reporting and the allocation formula to determine a CMSM/DSSAB's eligibility for the utilization component in the following year?

The utilization component is determined using an individual CMSM or DSSAB's contributions above their minimum cost-share requirements in the prior year financial statements, as well as the aggregate provincial under and over spending in the prior year. As a result, the amount an individual CMSM or DSSAB may receive in future years will fluctuate based not only on individual CMSM/DSSAB's contributions over and above the minimum amount required but also on the amount of overspending and under-spending across the province.

While the exact amount will fluctuate, it is important to remember that in order to qualify for the utilization component, a CMSM or DSSAB is required to contribute more than their required minimum cost share amount and the CMSM/DSSAB's over contribution will need to be larger than any future increase in funding.

Each CMSM and DSSAB will need to report their municipal contributions in EFIS. The Ministry is currently working on a draft copy of the Estimates submission in EFIS due April 30, 2013. We will be releasing the EFIS document set at the end of February 2013. Regional training will be provided in early March 2013. Further details will be forthcoming.

15. Page 15 of the Guideline refers to a special purpose audit report. If this is a typical third party audit, why would CMSMs/DSSABs need special Word and Excel templates at a later date?

The special purpose audit report is a separate report from the Municipality's or DSSAB's year-end financial statement audit. The special purpose audit report will provide assurance on child care revenues and expenditures which in some cases, cannot be separated out from the Municipality's other operations in the year-end financial statement audited numbers. The Ministry will provide support in this area by outlining a sample report and the schedule that will be required. Further details will be forthcoming.

Core Services Delivery

16. In order to manage high demand for fee subsidy, CMSMs/DSSABs may have a policy where post-graduate students aren't eligible to receive subsidy. Is this type of policy allowed?

No. While CMSMs and DSSABs have flexibility in setting their community priorities for local fee subsidy and wait list management, applicants for fee subsidy that meet the eligibility criteria (under the *Ontario Disability Program Act*, the *Ontario Works Act* or the income test) cannot be denied eligibility, including post-graduate students.

17. CMSMs/DSSABs need further information on the use of General Operating funds for salaries, benefits, lease and utilities. How can funds be used to support non-profit operators to support viability?

As service system managers, CMSMs/DSSABs are required to develop a policy for the equitable allocation of operating funding to child care operators in their community, based on provincial priorities and principles articulated in the Guideline. CMSMs/DSSABs should build on their existing community consultation processes in developing their policies. CMSMs/DSSABs may seek advice from their community or from other CMSMs/DSSABs on how the general operating funds should be invested to best support the viability of child care operators by, for example, offsetting a portion of a program's base operating costs.

18. Is the Ministry of Education developing a quality assurance tool, and if so when will more information be available? CMSMs/DSSABs may not want to fund their own quality assurance tools if there will be a provincial initiative.

CMSMs/DSSABs are encouraged to support local professional development opportunities for individuals working in licensed child care settings. There is no expectation for CMSMs/DSSABs to use this funding to develop quality assurance tools. As mentioned in the discussion paper *Modernizing Child Care in Ontario – Sharing Conversations, Strengthening Partnerships, Working Together*, the province is working on an approach to guide programming in licensed child care settings and more information about this initiative will be provided in the coming year.

19. Do CMSMs/DSSABs have to continue to pay historical pay equity amounts to child care centres and agencies, so that they can continue to meet their base 1% pay equity obligations to their staff? How are these expenditures to be reported?

CMSMs/DSSABs are to report their expenses related to proxy pay equity pursuant to the 2003 Memorandum of Settlement in the appropriate expense category. Historical pay equity expenditures (job-to-job and proportional value) are not to be included. If funding continues to be flowed through the operating grant to support wages, it would be reported as such. There will be no separate reporting of historical pay equity expenditures.

20. How do CMSMs/DSSABs demonstrate that operators are funding minimum wage and mandatory benefit requirements? What are the mandatory benefits? Where are the sample attestations?

CMSMs/DSSABs may wish to build on existing business practices for wage subsidy to ensure that operators are covering their minimum wage and mandatory benefit requirements. Minimum wage and mandatory benefits include employer obligations under a number of pieces of federal and provincial legislation including the Canada Labour Code, federal Employment Insurance Act, Canada Pension Plan, Ontario's Employment Standards Act as well as regulations under these statutes. The province will not be providing sample attestation forms. As the service system managers, CMSMs/DSSABs are responsible for developing their own policies, procedures and accountability tools related to the management of child care in their communities.

21. How is the administration benchmark calculated?

As mentioned on page 21 of the technical paper, the 2013 maximum allowable administration expenditure is calculated as follows:

The lesser of either

A) 10% of any CMSM or DSSAB's 2013 total allocation;

B) Total 2011 administration expenditure (adjusted proportionately to the CMSM or DSSAB's funding increase from 2012 to 2013, if applicable).

22. Can my CMSM or DSSAB spend more on administration than as calculated in my maximum allowable expenditure for administration?

The maximum allowable expenditure for administration was established to ensure spending in administration is maintained at reasonable levels. However, should a CMSM or DSSAB choose to exceed benchmark limits, any additional expenditure must be from 100% Municipal contributions. If the additional spending over and above the maximum allowable expenditure is not from 100% Municipal contributions, the Ministry will recover the overspent funds equal to the amount of overspending on administration above the maximum allowable expenditure.

23. How was the 2013 cost sharing amount determined for administration? How does this impact or relate to my administration benchmark?

The municipal 50% contribution toward the cost of administration has not changed compared to 2011 levels. The 50/50 cost sharing allocation for administration was determined by taking the former detail codes A380 and A425 and using the lesser of:

- the adjusted gross administration expenditures as reflected in the 2011 Financial Statement submission divided by two; or
- the allocation for those accounts.

The 50/50 cost sharing allocation is just one component of the maximum allowable expenditures on administration, which consist of:

- required municipal 50% contribution
- matching provincial 50% contribution
- 100% provincial funding.

The new funding framework allows CMSMs/DSSABs greater flexibility on administration spending. For additional information please see the 2013 Ontario Child Care Service Management and Funding Guideline, pages 18 and 39.

24. Why are 2011 administration expenditures being used in the calculation of the administration benchmark and not 2012?

Final 2011 administration expenditures are included as part of the EFIS financial statement submission that were included in the audited 2011 financial statements of the municipality.

2012 administration expenditures have not been finalized yet for many CMSMs/DSSABs and are not reported to the Ministry until May 31, 2013. The 2012 administration expenditures have not been reviewed or included in the audited financial statements of the municipality.

25. Does the new child care funding formula include supports for children with special needs?

Yes. The new funding formula and framework now allocates funding in a more simplified manner, and supports for children with special needs are included as a component of the Core Services Delivery allocation.

To ensure some funds are secured for the provision of services for children with special needs within a much more flexible operating framework, the Ministry has established a minimum benchmark of 4.1% of the total child care allocation, for expenditures to support children with special needs. Many CMSMs and DSSABs will spend more than this minimum.

For further detail regarding supports for special needs, please refer to pages 42 to 44 of the Ontario Child Care Service Management and Funding Guideline 2013, available on the Ministry website using the following link:

http://faab.edu.gov.on.ca/CCMemos_2012.htm.

26. Besides the new funding approach for special needs resourcing (SNR) established through the child care funding formula, are any other changes being made to SNR at this time?

While the funding approach for SNR has been modified from that of previous years, it is not expected that CMSMs and DSSABs make any significant adjustments to their local SNR service delivery models at this time.

Any planned expansion of SNR-funded services and supports at the local level should be focused on licensed child care settings and approved recreation programs for children who are confirmed to attend, are attending, or exiting these programs and their families.

Going forward, as an integral component of the child care system in the province, and more broadly as part of the continuum of early years services, SNR will be considered in the context of the overarching goals and vision set out in the new *Ontario Early Years Policy Framework* available at:

<http://www.edu.gov.on.ca/childcare/OntarioEarlyYear.pdf>

We will be holding regular, ongoing discussions with our service system manager partners to learn more about their communities and unique service delivery models for children with special needs and their families. Any future modifications to provincial SNR policies and requirements will be informed by these conversations and the Ministry will give our partners ample time to adjust service delivery practices, as required. The Ministry will also provide the necessary tools, resources, and supports to our partners as we transition together to an increasingly integrated early years system and a modern child care sector.

27. What are the qualification requirements for SNR-funded resource teachers/consultants?

At a minimum, the Ministry recommends that resource teachers/consultants employed by CMSMs/DSSABs and SNR agencies hold a diploma in Early Childhood Education, have additional training/experience/education related to working with children with special needs, and hold a valid first aid certificate. Additional requirements for resource

teachers/consultants directly employed by licensed child care operators are outlined in s. 60 of Ontario Regulation 262 made under the *Day Nurseries Act*.

28. The general operating section of the Guideline refers to the per full time equivalent (FTE) compensation level funded in 2012. How would the CMSM/DSSAB obtain this information?

Some CMSMs/DSSABs may have collected this data in the course of managing wage subsidy. Others may need to approach child care operators in their geographical area to gather the information. The CMSM/DSSAB could consider the use of alternative tools, such as an attestation, where the operator attests to not using the new provincial funding to increase wages beyond 2012 levels.

CMSMs and DSSABs may continue to flow the amount of wage subsidy/wage enhancement that was flowed per operator in 2012 under previously approved wage subsidy/wage enhancement grants.

Special Purpose

29. Can capacity building funding be used to pay wages for members of a CMSM or DSSAB's quality team?

The intent of capacity building funding is to cover the cost of developing and delivering professional development opportunities that align with DNA regulations and Ministry policy and support the implementation of high quality child care programs. Eligible expenses include the development and/or delivery of professional development opportunities, release time and travel costs to enhance accessibility for eligible participants, etc.

30. What's the difference between Play based Materials and Equipment, and Repairs and Maintenance?

The main difference is in relation to compliance with licensing requirements under the *Day Nurseries Act*. The purpose of repairs and maintenance funding is to support licensed child care service providers and private-home day care agencies that are not in compliance with licensing requirements or may be at risk of not being in compliance with licensing requirements. On the other hand, the purpose of funding for play-based materials and equipment is to help child care operators create enriching environments that are developmentally appropriate and promote children's exploration and learning through play, and thus is not linked to compliance with licensing requirements.

There may be situations in which expenditures meet the criteria for both types of funding. In this case, the CMSM/DSSAB has the discretion to report the expenditures in either category.

31. Why is there no allocation for Play-based Material and Equipment?

The allocation and expense reporting functions have been separated. Play-based Material and Equipment is an expense category, not an allocation. Funding received under the core service delivery allocation and the special purpose allocations may be spent on play-based material and equipment, where financial flexibility allows.

32. What is the “School-Age Recreation” section? Is this the old MCSS guideline?

The Ontario Child Care Service Management and Funding Guideline released on December 18, 2012 made reference to the School Age Recreation Guideline, which is the MCSS document dated December 20, 2000. As part of the changes to the Guideline, information on the school-age recreation expense has been included. Please see pages 33-36 of the updated Guideline for additional details.

Capital

33. Please define “capital retrofit funding”.

Capital retrofit funding is to help offset the costs of minor renovations of existing child care centres to serve younger aged children as 4 and 5 year olds enter full-day kindergarten. Examples of allowable expenses are outlined in the Guideline on page 58-59.