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Ontario

Ontario Child Care Service Management and Funding Guideline

2013

Consolidated Municipal Service Managers and District Social Services Administration Boards

Ministry of Education

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SECTION 1: INTRODUCTION

The Ministry of Education (the Ministry) is pleased to introduce the new 2013 Ontario Child Care Service Management and Funding Guideline for Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs).[1]

The new approach streamlines and simplifies child care funding, reducing burden and supporting CMSMs and DSSABs in more effectively administering child care services in their communities. The funding formula and framework seek to recognize the evolution of the provincial-municipal relationship with regards to child care over the last decade and the importance of balancing an overarching provincial framework with local service system management.

As service system managers, CMSMs and DSSABs will continue to have the discretion to develop local policies to allocate funding in a way that best meets the needs of their community. We recognize that this is a time of transition and will work with CMSMs and DSSABs over 2013 to transition to the new funding formula and framework.

BACKGROUND

June 27, 2012, the government distributed the Modernizing Child Care in Ontario discussion paper widely to municipalities and their partners. The discussion paper began a conversation that will help move Ontario towards a higher quality, accessible and co-ordinated early learning and care system for children. The government recognizes that funding for child care must include an efficient funding formula which should be transparent and informed by evidence to support consistency in approach, accessibility for families and quality for children and child care operators.

TRANSITION YEAR IN 2013

In order to best support the implementation of the new framework in a way that respects local processes and CMSM and DSSAB planning requirements, 2013 will be considered a transition year. A working group will be established early in 2013 to assist with incorporating CMSM and DSSAB advice and input over the course of 2013 on the implementation of the new funding framework. Feedback will also be sought through regional discussions and the in-person CMSM and DSSABs event to be held in Toronto early in the New Year. This guideline may be revised in 2014 in order to reflect feedback received.

The Ministry acknowledges that some CMSMs and DSSABs may have already passed their 2013 municipal budgets and that 2013 agreements with operators are already underway. Therefore, some requirements in this guideline may be implemented in 2014. Child Care Advisors will support CMSMs and DSSABs with the implementation the new funding framework and associated policies throughout this period of transition.

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[1] Please note that this guideline is in draft, the Ministry will be seeking input from CMSMs and DSSABs on its contents and the local implications. The draft will be updated as necessary over the coming months.

CMSM AND DSSAB SERVICE SYSTEM ADMINSTRATION

CMSMs and DSSABs are the designated child care service system managers responsible for planning and managing child care services at the local level. Child care services are managed by CMSMs and DSSABs through a service planning process that reflects current child care legislation, regulations and directives, including these new consolidated guidelines.

The new funding framework is intended to support CMSMs and DSSABs in their role as service system managers as they plan and manage unique community priorities, changing demographics and transform their local child care system to respond to the implementation of Full-Day Kindergarten (FDK). The funding framework provides CMSMs and DSSABs with flexibility in determining how to spend their child care allocations to best meet the needs of children, families and child care operators within their community.

Child care service system planning is critical to supporting the broader system goals of increasingly co-ordinated and integrated early learning and care services for children. CMSMs and DSSABs should develop and implement local child care service plans based on local community needs following a planning process that engages child care service providers, school boards, the community and local stakeholders. Similarly, these community partners should be actively engaged with the CMSM or DSSAB, and guided by its leadership in building a plan for increasingly co-ordinated and integrated early learning and child care services at the local level.

French Language Services

In areas designated under the *French Language Services Act* (FLSA) CMSMs and DSSABs are required to:

- Work with Francophone service providers to ensure ongoing child care services in French.
- Have the capacity to provide services in French to Francophone parents applying for fee subsidy in areas designated under the FLSA.
- Take appropriate measures, including providing signs, notices and other information on services and initiating communication to make known to members of the public that the service is available in French at the choice of any member of the public.
- Have capacity of providing services in French to Francophone organizations with agreements for fee subsidy and/or operating funding;
- Ensure that special needs resourcing services are available in French to Francophone organizations, as well as Francophone parents/guardians and their children.
- Where the CMSM or DSSAB is not at full capacity, annually submit to the Ministry a plan to build capacity with the above objectives.

CHILD CARE SERVICE MANAGEMENT GUIDELINES

Ten guidelines were used to support CMSMs and DSSABs in the administration of child care; some of these guidelines have not been updated for 13 years. The Ministry has updated and streamlined the existing guidelines into one document - a new, consolidated *Ontario Child Care Service Management and Funding Guideline* - to support the new funding formula and framework. The new consolidated guideline replaces previous guidelines, as follows:

New Guideline Section	New Program Category	Previous Guidelines
Introduction	CMSM/DSSAB Responsibilities	MCSS Child Care System Guideline, June 30, 1999
Ministry Business Practice Requirements	Ministry Business Practice Requirements	EDU Business Practices, July 2012
Core Services Delivery	General Operating	MCYS Wage Subsidy, May 2006
	Pay Equity Memorandum of Settlement	(Included in MCYS Wage Subsidy, May 2006)
	Fee Subsidy	MCYS Fee Subsidy (including OW), 2006 EDU Extended Day 2012 EDU Transition July 2012 MCSS School Age Recreation, December 20, 2000
	Special Needs Resourcing	MCYS Special Needs Resourcing, May 2006
Special Purpose	Capacity Building	(Included in EDU Business Practices as "system needs")
	Administration	Appendix D of MCSS Business Practices, July 10, 2000
	TWOMO	Included in EDU Business Practices, 2012
	Repairs and Maintenance	Included in EDU Business Practices, 2012
	Play-Based Material and Equipment	Included in EDU Transition Guidelines as "Toys and Equipment"
Capital	Capital Retrofit	Included in EDU Transition Guidelines as "Transition Minor Capital"
Child Care Service Planning	Service Planning	Service Planning Guidelines, July 15, 2005

This consolidated guideline supports the new funding formula for child care. The objective of the new funding formula is to allocate funding to CMSMs and DSSABs in a transparent and simplified manner. The previous funding formula was outdated and based primarily on historical allocations. As a result of using outdated data (up to 20 years old in some cases), it was unable to respond to changing demographics and service pressures.

NEW FUNDING FORMULA

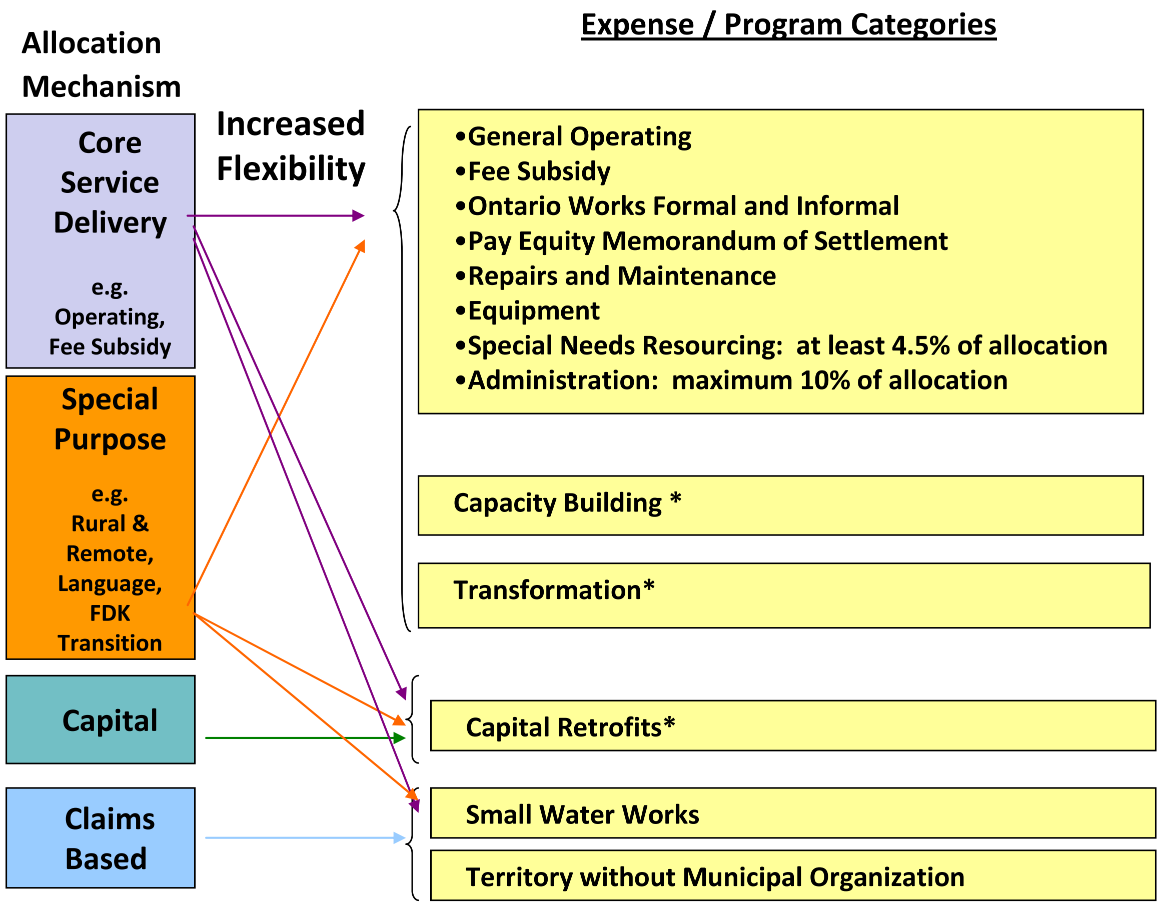
A new funding formula has been developed by the Ministry to provide a more transparent and equitable approach to funding that responds to demographic changes and provides increased flexibility for service system managers to better meet local needs for licensed child care services.

This new approach 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). Each expense category has associated reporting requirements which will be tracked in EFIS. For additional information on reporting and expenditure requirements please see the individual expense sections of this guideline (i.e. fee subsidy, special needs resourcing, capacity building etc).

The premise of the new system is to deliver child care services that act as supports to child care operating costs: general operating, fee subsidy, Special Needs Resourcing (SNR) and administration. These central costs will be funded through the new core service delivery allocation which is comprised of an 80/20 cost shared allocation, a 100 percent provincially funded allocation and a 50/50 cost shared allocation for administration (except in the case of TWOMO). Variances in local need (e.g. rural/remote and language) will be supported through the special purpose allocation that provides funding to supplement the core service delivery allocation. Minor capital funding projects will be supported through the minor capital allocation.

Minor capital funding may not be used to support other expenses; however, funding under the core service delivery allocation and the special purpose allocation may be used to support **all expense categories** (with limited exceptions). For example, funding from core services may be used to support capacity building; funding from a rural/remote allocation through special purpose may be used to support repairs and maintenance or fee subsidy etc. All outcomes will be captured through reporting. Additional details regarding the new funding flexibility can be found in the Ministry Business Practice section of this guideline.

The diagram on the following page illustrates the three main funding formula **allocation** components: Core Service Delivery, Special Purpose and Child Care Capital. The diagram also includes 13 expenses/program categories: General Operating, Fee Subsidy, Special Needs Resourcing, Pay Equity, Capacity Building, Administration, Ontario Works, Transformation, Repairs and Maintenance, Play-Based Material and Equipment, Small Water Works, Territory without Municipal Organization and Capital Retrofits.



CMSMs and DSSABs have full flexibility to spend their allocations on any of the expense/program categories, except in situations where the allocation is enveloped or has limited flexibility to address very specific purposes that supplement, support or transform the delivery of core child care services (e.g., Capacity Building and Transformation). Additional details on financial flexibility are provided in the Ministry Business Practice Requirements section of this guideline.

The following sections provide a brief overview of each of the allocation areas; for more information on the allocation methodology, please see the *2013 Child Care Funding Formula Technical Guide*.

CORE SERVICE DELIVERY

The Core Service Delivery allocation is intended to support the availability of licensed child care for parents, provide fee subsidy for eligible families to access licensed child care, accredited recreation programs and extended day programs, and to support children with special needs in participating in these programs. Please see the *2013 Child Care Funding Formula Technical Guide* for additional details on how this funding was allocated.

Fee subsidies play a key role in supporting low-income working parents by giving them access to affordable, high quality child care and play an active role in the labour force. In order to support access to child care for children and families in need, Core Service Delivery allocations should be prioritized for fee subsidies, Ontario Works and Special Needs Resourcing expenses.

There are no longer dedicated allocations for Wage Subsidy, Wage Enhancement, Pay Equity and Special Needs Resourcing; they are now included as part of the Core Services Delivery allocation. The intent and purpose of wage subsidy and wage enhancement funding has been integrated into the new General Operating expense/program category. Pay Equity has its own expense category and data reporting requirements. The integration of these expense categories under Core Services Delivery does not relieve CMSMs and DSSABs or child care operators from their obligations to comply with the Pay Equity Memorandum of Settlement under the *Ministry of Community and Social Services Act*. Please see the Pay Equity expense section of this guideline for further detail.

While there is no allocation for SNR, the expense/program still exists and CMSMs and DSSABs are required to continue serving children with special needs by spending **at least 4.1 percent** of their total child care allocation on SNR. See the Cost Sharing requirements section below for more information.

SPECIAL PURPOSE

Special Purpose funding has two components:

1. Allocations that are 100 percent provincially funded enhancements to the Core Services allocation intended to reflect unique service delivery demands. These are: Rural/Remote, Language, Aboriginal, Cost of Living, Full-Day Kindergarten (FDK) and Transition.
2. Allocations that align with Ministry priorities to support, supplement or transform the delivery of child care services are: Transformation, Capacity Building, Territory Without Municipal Organization and Small Water Works.

CAPITAL

The Capital allocation will help support child care minor capital expenses related to the transformation of child care programs to serve younger age groups as four and five year olds move into FDK. Please see the Child Care Minor Capital Expense section of this guideline for additional details.

COST-SHARING REQUIREMENTS

For almost 10 years the Province of Ontario has made incremental investments in child care without requiring additional financial contributions from Ontario's municipalities. Consistent with this principle, the implementation of the new funding formula requires no new cost-sharing by municipalities. The dollar value of required cost shares are maintained at 2012 levels, or are reduced proportionate to reduced allocations.

To meet these objectives while implementing the new funding formula and simplified funding framework, the structure of provincial-municipal cost share funding has been modified.

The cost sharing requirements of the new funding allocations are as follows:

1. Core Services Delivery
   - Core Service Delivery 100% - expenditures are 100 percent provincially funded
   - Core Service Delivery Cost Shared – expenditures are 80 percent provincially funded and 20 percent municipally funded.
   - Core Service Delivery Cost Shared Administration - expenditures are 50 percent provincially funded and 50 percent municipally funded
2. Special Purpose
   - All special purpose expenditures are 100 percent provincially funded
3. Child Care Capital
   - All child care capital expenditures are 100 percent provincially funded

Child Care Administration

Based on an analysis of prior year expenditures, the Ministry has developed expenditure benchmarks to ensure spending in administration is maintained at a reasonable level.
The expenditure benchmark for administration shall not represent an amount greater than either 10 percent of any CMSM or DSSAB's 2013 total allocation or the dollar amount contributed in their prior year financial statements (2011) to Administration, whichever is lower. However, in the case of those service managers that will see increases to their funding compared to 2012, their Administration benchmark will be adjusted in proportion to their funding increase.

Example:

CMSM/ DSSAB (increased funding in 2013)

$$\left(\begin{matrix}\text{2011 Administration} \\ \text{Amount}\end{matrix} \times \begin{matrix}\text{\% of increase} \\ \text{in funding in 2013}\end{matrix}\right) + \begin{matrix}\text{2011 Administration} \\ \text{Amount}\end{matrix} = \begin{matrix}\text{New Administration} \\ \text{Ceiling}\end{matrix}$$

$$(\$100{,}000 \times 20\%) + \$100{,}000 = \$120{,}000$$

Please see the *2013 Child Care Funding Formula Technical Guide* for additional details on provincial-municipal cost-shared funding allocations.

Funding allocations that are cost shared will be provided under the authority of the *Day Nurseries Act*, R.S.O. 1990, c. D.2 ("*Day Nurseries Act*") while 100 percent allocations will be provided under the authority of the *Ministry of Community and Social Services Act*, R.S.O. 1990, c. M.20 ("*Ministry of Community and Social Services Act*").

SECTION 2: MINISTRY BUSINESS PRACTICE REQUIREMENTS

TRANSFER PAYMENT BUSINESS PROCESS

OVERVIEW OF CONTRACTING PROCESS

In accordance with the Government of Ontario's Transfer Payment Accountability Directive, and consistent with the principles of prudent fiscal management, funds must be flowed to recipients only upon signature of the service agreement.

Service agreements identifying funding levels were distributed to CMSMs and DSSABs on December 20, 2012 for signature by March 28, 2013.

The contracting process will consist of the following three stages: contracting; payment; and financial reporting.

CONTRACTING

Service agreements between the Ministry and CMSMs and DSSABs:

- set out expectations, terms and conditions of funding to support good governance, value for money, and transparency in the administration of transfer payment funds;
- document the respective rights, responsibilities, and obligations of the Ministry and CMSMs and DSSABs;
- include specific, measurable results for the money received, reporting requirements, and any corrective action the government is entitled to take if agreed upon results are not achieved; and,
- subject to the *Freedom of Information and Protection of Privacy Act,* the *Municipal Freedom of Information and Protection of Privacy Act* and other legislation, allow independent verification of reported program and financial information by independent professionals and the Auditor-General of Ontario.

FINANCIAL REPORTING

Financial Reporting Cycle

As stated in the Reporting Schedule (Schedule D of the service agreement), CMSMs and DSSABs are expected to provide the following submissions to the Ministry as per the following cycle:

Submission Type	Due Date
Service Agreement	March 28, 2013 *
Estimates	April 30, 2013*

Revised Estimates	August 30, 2013
Financial Statements	May 30, 2014

*With automatic extensions should the CMSM or DSSAB not receive municipal council approvals by this date.

In-Year Funding Adjustments

As per the service agreement, the Ministry automatically adjusts entitlement and the resulting cash flow to reflect under spending which is expected or forecasted following the submission of the Estimates, Revised Estimates and Financial Statements (where actual under spending is reported).

These adjustments will result when the following occurs:

- projected or actual spending levels indicate that the CMSM or DSSAB will not generate an allocation amount to the same level that was communicated to it prior to the start of the calendar year;
- the Ministry identifies through its review process that projected spending levels should be adjusted to reflect an amount that more closely reflects previous years' actuals, trends and expectations for the current calendar year. This process is completed through discussions between the Ministry and CMSMs and DSSABs.

Policy for Late Filing

The policy for late filing is applicable to the following four Ministry submissions:

1. Service Agreement
2. Estimates
3. Revised Estimates
4. Financial Statements

Where a CMSM or DSSAB files any submission after the filing deadline, its regular cash flow will be reduced progressively and withheld by the Ministry as follows until the submission has been received:

- If the submission is not received by the Ministry within 30 days after the filing deadline, the Ministry will inform the CMSM/DSSAB that the submission is overdue.
- 31-60 days = 2% of the total annual allocation.
- Greater than 61 days = 5% of the total annual allocation.

Upon submission of Ministry requirements, the Ministry will revert back to the normal monthly payment process and will include in the monthly payment the total amount withheld up to that point.

SERVICE/ FINANCIAL DATA AND TARGETS

In compliance with the Transfer Payment Accountability Directive, there are service targets, called contractual service targets, tied to the child care service agreement to support accountability and facilitate funding recovery. There are three contractual service targets, which are a compilation of 3 expense categories and data elements related to fee subsidy, Ontario Works and special needs resourcing. The data elements that comprise the contractual service targets may be revised in 2014 to better reflect the new funding formula and child care expenditures.

CMSMs and DSSABs are required to set contractual service targets, in collaboration with the Ministry, each calendar year; the targets should reflect local demand and priorities. These targets are included in the child care service agreement for the current contract year.

Should the CMSM or DSSAB not meet all three contractual service targets by 10% or more in the aggregate, the Recipient's entitlement and cash flow will be reduced by 1% for every 10% missed to reflect the underachievement of contractual service targets. This one-time funding adjustment will be processed upon review of the Financial Statement submission by the Ministry.

Contractual service targets are monitored by the Ministry through a three-step progressive action process:

1. The Ministry will review the Recipient’s Revised Estimates variance report and action plan;
2. The Ministry will meet with the Recipient to monitor these targets should they project the inability to meet all three contractual service targets after the Revised Estimates submission;
3. The Ministry will affect a one-time recovery of funds if contractual service targets are not met by year-end as identified to the Ministry in the Financial Statement submission.

Service targets must be consistent with Ministry policy direction as well as community priorities; financial flexibility should improve client and service outcomes.

CMSMs and DSSABs will continue reporting on all regular data elements not included in the contractual service targets in their Revised Estimates and Financial Statement reports. Contractual service target settings will be automatically uploaded into the appropriate fields in EFIS once set by the CMSM or DSSAB. As 2013 is a transition year, and to simplify reporting requirements, CMSMs and DSSABs will be required to submit a condensed Estimates submission in April related to its expenditure reporting.

Contractual Service Targets			
Target	Expense Category	Contractual Target	Description
1	Fee Subsidy	Total of the Average Monthly Number of Children Served	Total average monthly number of infants, toddlers, preschoolers, JK, SK and school aged children served
2	Special Needs Resourcing	Total of the Average Monthly Number of Children Served	Total average monthly number of infants, toddlers, preschoolers, JK, SK and school aged children served
3	Ontario Works	Total of the Average Monthly Number of Children Served (formal and informal)	Total average monthly number of infants, toddlers, preschoolers, JK, SK and school aged children served

ESTIMATES REPORTING

The Estimates submission allows CMSMs and DSSABs to identify the level of provision of services and associated expenditures and revenues by the CMSMs and DSSABs for the upcoming fiscal year covering the period of January to December. It is due by April 30, 2013.

REVISED ESTIMATES REPORTING

The Revised Estimates submission allows CMSMs and DSSABs to monitor in-year performance against financial and service data targets. The Revised Estimates submission is submitted annually by each CMSM or DSSAB to the Ministry. It is for the period ending June 30, with a projection of expenditures and service data to December 31. It is due by August 30.

FINANCIAL STATEMENTS REPORTING

The Financial Statements reporting submission represents the CMSM or DSSAB's performance against its financial and service targets for the year. It is due five months following the CMSM or DSSAB's year-end date, or May 30 and includes the following five elements:

1. Audited financial statements of the CMSM or DSSAB;
2. A post audit management letter issued by the external auditors. If such a letter is not available, confirmation in writing for the rationale as to why it is not available;
3. A special purpose audit report* which includes the breakdown of expenditures and other restrictions as funded by the Ministry and outlined in these guidelines;
4. An active EFIS submission;
5. Written confirmation to the Ministry that all required guidelines as explained in the "Ontario Child Care Service Management and Funding Guideline" have been adhered to.

* The special purpose audit report will allow for the independent verification of data reported within EFIS. Sample word and excel templates will be provided at a later date.

VARIANCE REPORTING

Variance reporting is required for identified significant variances for Revised Estimates and Financial Statements. CMSMs and DSSABs will be required to report significant variances, reason for variances, impacts on staff and services and provide an action plan as part of financial reporting.

Variances

Significant variances are identified as follows:

- At Revised Estimates: A variance report is required if the major expenditure category when compared to the Estimates expenditure category is $25,000 and 10% over or under the target.
- At Financial Statements: A variance report is required if the major expenditure category when compared to the Revised Estimates expenditure category is $25,000 and 10% over or under the target.
- With respect to contractual service targets, a variance report is required if service data is 10% or more over or under the target.

Significant Variance

	Variance Reporting
Major Expenditure Category	+/- $25,000 and 10%
Contractual Service Target Data	+/- 10%

Exceptions to Variance Reporting

Where additional funding is announced following the receipt of the estimates submission in EFIS, a modified variance reporting methodology will be introduced to allow CMSMs and DSSABs to report on variances based on the revised funding allocation and increased expenditures.

PAYMENT

Budget Schedule

The Budget Schedule (Schedule B of the service agreement) identifies the Ministry's allocation to CMSMs and DSSABs. Generally, the allocation is divided into 12 payments. While payments in each calendar year should only begin after the service agreement is signed by the Ministry and the CMSM or DSSAB, the Ministry may continue to make payments based on the revised estimates for the immediately preceding calendar year until the budget for the current calendar year is approved.

Payment Mechanics

Monthly cash flow percentages will be based upon the total 2013 allocation*:

January*	8.3%
February*	8.3%
March*	8.4%
April*	8.3%
May	8.3%
June	8.4%
July	8.3%
August	8.3%
September	8.4%
October	8.3%
November	8.3%
December	8.4%

*January, February, March and April payments may be based upon the prior year's Revised Estimates submissions less the July 2012 one-time investment funding until the signed service contract is received.

Based on Service Agreement:
The original monthly cash flow will be updated to reflect the 2013 allocations upon receipt of the signed service agreement.

Based on Estimates:
The Ministry's Financial Analysts will be reviewing the Estimates submission from CMSMs and DSSABs, which is due by April 30, 2013. Upon completion of the Ministry staff reviews, the cash flow for 2013 will be adjusted based on the reviewed entitlement in EFIS. If the reviewed entitlement from EFIS is different from the entitlement in the service agreement, the year to date cash flow will be adjusted to reflect the reviewed entitlement in EFIS.

Based on Revised Estimates:
If the Revised Estimates submission in EFIS, due by August 30, 2013, reflects a different entitlement amount than in the Estimates, then the cash flow for the October payment will be adjusted based on 10/12th of the entitlement amount subtracting the total amount of payments made to date in 2013. The following monthly payments will be based on the monthly cash flow percentages as noted above multiplied by the entitlement amount in the Revised Estimates submission in EFIS.

Based on Financial Statements:
When the CMSM or DSSAB submits their Financial Statements, if the entitlement calculated in the Financial Statements exceeds the total amount paid for that fiscal period, the difference will be cash flowed to the recipient after the review of the Financial Statements submission by the

Financial Analyst. Any amounts owing by the CMSM or DSSAB to the Ministry will be deducted from a future month's cash flow amount. The CMSM or DSSAB is not to issue a cheque for the recoverable amount.

FINANCIAL FLEXIBILITY

To modernize the approach to child care funding, the government has developed a new, more transparent approach to funding that responds to demand for services, helps stabilize fees and improves reliability of child care, to better support child care operators and parents.

Under the new funding formula, child care funding is now divided into three allocations:

1. Core Service Delivery
2. Special Purpose
3. Capital

As part of the Ministry's revised child care funding framework, the allocation and expense reporting functions have been separated. As a result of increased flexibility for CMSMs and DSSABs in their ability to allocate funding to local priorities, the allocations and expenditures will no longer align.

Funding provided through the Core Service Delivery allocation and the following five Special Purpose allocations can be used for any type of expense (other than TWOMO):

- Language
- Aboriginal
- Cost of Living
- Rural/Remote
- FDK Transition
- Repairs and Maintenance

Exceptions to Financial Flexibility
To align with the Ministry priorities of supporting quality and transforming the child care sector, some allocations have limited flexibility:

- Capacity Building
- Small Water Works
- Child Care Minor Capital
- Transformation (may be used to offset the expenses associated with minor capital).
- Territory Without Municipal Organization – TWOMO is a claims-based program. Cash flow will be adjusted to reflect TWOMO claims.

System Needs
In general, CMSMs and DSSABs should be able to meet local child care system demands through the increased flexibility under general operating and the introduction of professional capacity building and play-based material and equipment. In recognition of the fact that some CMSMs and DSSABs may have a need to transition some other established system needs

funded services, the Ministry will permit this practice in 2013. In 2013, CMSMs and DSSABs may file expenses for system needs under miscellaneous provided that they have consulted with their Child Care Advisor (CCA) and both parties have agreed that the expenditure cannot fit under any other expense category. Expenditures cannot exceed system needs expenditures from 2012, and must comply with the following prior provincial direction for system needs:

> "Where the CMSM or DSSAB is able to demonstrate that the spaces created under Best Start can be sustained and secured through fee subsidies, wage subsidies, special needs resourcing and administration, CMSMs and DSSABs may request from the Regional Office, to allocate funds to further support the spaces. This could be achieved by allocating funds to Early Learning and Care areas that could include quality initiatives, training of staff and/or addressing accessibility in rural and northern areas through transportation. These areas require prior approval from the Regional Office." (Ministry of Children and Youth Services, 2005)

The province will continue to work with CMSMs and DSSABs who have a history of recording system needs expenses in the interests of funding sustainable solutions to community needs. This may include work with other ministries and community partners, including efforts connected to the Best Start Child and Family Centres work currently being undertaken by the Ministry of Children and Youth Services.

BASIS OF ACCOUNTING

CMSMs and DSSABs are required to report their revenues and expenditures using the modified accrual basis of accounting in their Estimates, Revised Estimates and Financial Statements submissions. This basis of accounting is also guided by other policies and guidelines.

Modified Accrual Basis of Accounting

The modified accrual accounting requires the inclusion of short-term accruals of normal operating expenditures in the determination of operating results for a given time period. Short-term accruals are defined as payable usually within 30 days of year-end.

The modified accrual basis of accounting does not recognize non-cash transactions such as amortization, charges/appropriations to reserves or allowances as these expenditures do not represent an actual cash expenditure related to the current period.

Under modified accrual accounting, expenditures that would be amortized under full accrual accounting must be recognized as expenditures in the budget year the goods or services are received.

Expenditures made once a year (e.g. property taxes, insurance) must be recorded in one of the following two methods:

1. Expenditures will be charged to the period in which they are paid.

2. The part of the expenditure that applies to the current year will be expensed in that year.

Either method of accounting for expenditures made once a year is acceptable. However, the selected method must be consistent from year to year.

ADMISSIBLE/ INADMISSIBLE EXPENDITURES

Expenditures deemed reasonable and necessary for the provision of services subsidized by the Ministry are admissible in the calculation of the funding entitlement. These expenditures must be supported by acceptable documentary evidence.

All expenditures arising from transactions not conducted at arms length from the CMSM or DSSAB must receive prior Ministry approval.

Appendix B contains a list of expenditures identified by their admissibility for purposes of calculating funding entitlement.

BUSINESS PRACTICES WITH SERVICE PROVIDERS

STANDARDS AND REQUIREMENTS

CMSMs and DSSABs are required to:

- Ensure that funds are used in accordance with the Ministry's policies, procedures, and guidelines;
- Monitor the use of funds with service providers on an annual basis; and
- Reconcile service provider use of funds and recover funds as required.

CMSMs and DSSABs must also have policies and procedures in place in order to fulfill all of their reporting requirements to the Ministry. This accountability applies to both service providers from whom CMSMs and DSSABs have purchased service as well as services directly operated by CMSMs and DSSABs. In addition, the delivery agent's financial policies and procedures are subject to Ministry review.

RECONCILITATION

As a best practice, CMSMs and DSSABs should have a comprehensive reconciliation process in place that reconciles actuals against allocations, as well as provides supporting documents for audit purposes. The CMSM or DSSAB's reconciliation process is subject to Ministry review.

RECOVERIES

Identified unused funds must be recovered from service providers within two years. These funds must be identified as offsetting revenues in EFIS, Schedule 2.4.

MAJOR CAPITAL

CMSMs and DSSABs are required to advise the Ministry of any knowledge regarding the sale/transfer/renovation of child care properties that previously received capital funding from the government.

SECTION 3: CORE SERVICE DELIVERY

FEE SUBSIDY EXPENSE

PURPOSE

Child care plays a key role in helping to promote healthy child development and helping children to reach their full potential. It is also an essential support for many parents, helping them to balance the demands of career and family while participating in the workforce or pursuing education or training.

Access for eligible families is subject to the availability of subsidy funds within the budget of the CMSM or DSSAB and space availability within a child care program.

Ontario Works participants and other social assistance recipients are deemed automatically eligible and are not required to be assessed under the income test. To be eligible for subsidy, parents must be participating in approved employment assistance activities unless the child or parent has a special need or the child has a social need.

The Learning, Earning and Parenting (LEAP) program is a targeted strategy of Ontario Works that provides child care assistance and other supports to young parents on social assistance aged 16-21 years to help them finish high school and develop parenting skills. LEAP participants may receive child care fee subsidies in order to participate in activities as documented in their individual service plans.

Individual child care transition plans must be established for social assistance recipients to provide continuity of care for the child. As a social assistance recipient moves to full-time employment and exits social assistance, child care assistance remains available as long as the parent is considered eligible under the income test.

Ontario is investing in the education of its youngest students to help give them the best start in life. FDK seeks to expand early learning opportunities for children ages 4 and 5. As FDK is implemented and the child care system transitions to serve children ages 0-4, we have the opportunity to build a better integrated, seamless early learning and child care system. While taking into account parental choice, CMSMs and DSSABs are expected to leverage fee subsidy funds as appropriate to support child care operators as they convert their programs to serve younger age groups.

Child Care Fee Subsidy – Parents Who Qualify Based on Income

Parents who are eligible under the provisions of the income test may be eligible for fee subsidies for children under 10 years of age (or up to 12 years of age where there are special circumstances) as per Subsection 8 (4) of the *Day Nurseries Act (DNA)*. Parents of children with special needs may be eligible for fee subsidies for children under 18 years of age. Fee subsidy funds can be used to support full and part-time child care in licensed day nurseries and private-home day care (PHDC) agencies.

Fee subsidies may also be available for school-age children who are 5.8 years of age as of August 31st of the year, up to 12 years of age, or for children with special needs from ages 5.8 as of August 31st of the year to 18 years enrolled in approved recreation programs. To be eligible to enter into fee subsidy purchase-of-service agreements, recreation programs must meet the requirements outlined in the School-Age Recreation Guideline.

Child Care for Ontario Works Participants

Child care fee subsidies are an important support for Ontario Works participants including LEAP participants and Ontario Disability Support Program (ODSP) recipients in approved employment assistance activities. Funds may be used for licensed or unlicensed (informal) child care to enable parents to participate in approved employment assistance activities as documented in their signed participation agreements.

Ontario Works participants require access to a range of licensed and informal child care options in order to respond to their individual child care needs. Considerations may include the number of children, age of the children and hours of care needed as identified in their participation agreement. The transition between subsidized part-day and subsidized full-day care as parents' and children's needs change should be seamless and support the substantiated needs of children and families.

Informal care may be provided by occasional caregivers, neighbours, recreation programs, etc. Paid care provided by relatives outside of the Ontario Works benefit unit[2] is permitted as long as receipts are provided.

Ontario Works participants may receive assistance for the actual cost of licensed child care and up to pre-established ceilings for unlicensed (informal) child care. Maximum payment levels for informal care for children from 0 -12 years of age and under age 18 if the child has a physical impairment or developmental disability are specified under O. Reg. 134/98, Subsection 49.1 (2) of the *Ontario Works Act, 1997*.

Ontario Works participants will be required to produce receipts on request for either informal or licensed care purchased directly.

[2] The benefit unit is defined as "a person and all of his or her dependants on behalf of whom the person applies for or receives basic financial assistance".

FEE SUBSIDY MANAGEMENT

CMSMs and DSSABs are encouraged to provide a flexible mix of subsidies for part- and full-day child care, across all age groups, which reflects the range of local service needs. A seamless transition should be provided between subsidized part-day and full-day care, or part-week and full-week care as the needs of parents and children change.

Determining the Amount of Child Care to Subsidize

CMSMs and DSSABs are to determine the amount of subsidized child care for each eligible family in accordance with the policy statement "*Improving Access to Subsidized Child Care*". The parent's employment or education activities that result in a need for child care should be documented. Where a parent works regular, full-time hours (at least 35 hours a week without rotating shifts), CMSMs and DSSABs are discouraged from documenting actual parental shifts worked as part of the attendance records. Similarly, information pertaining to a parent's illness or disability where the illness or disability is the reason for needing child care should be documented. This includes documenting necessary information regarding a child's special or social needs.

User Fees

CMSMs and DSSABs are strongly discouraged from adopting parent fee practices that cause subsidized parents to pay fees that may exceed their ability to pay as determined by the income test.

CMSMs and DSSABs may not charge user fees to social assistance recipients who are not engaged in paid employment.

Access to Fee Subsidies

To complement the introduction of the standard income test, the Ministry encourages CMSMs and DSSABs to adopt a standard approach to managing demand for fee subsidies based on local needs (e.g. first come/first served). The approach allows for flexibility at the local level while introducing more consistency across CMSMs and DSSABs in the way that access to fee subsidy is managed.

Each CMSM and DSSAB was required to undertake a local planning process to determine the appropriate socio-economic factors and the allocation formula for fee subsidy funds that best met the needs of their community. CMSMs and DSSABs should continue to use the local policies they already have in place to support the distribution of fee subsidies to children and families; however Ontario Works participants should be prioritized where possible.

Examples of socio-economic factors that could be used to allocate fee subsidies in a CMSM or DSSAB include:

- Income levels of families with children;

- Geographic areas, such as wards, lower tier municipalities, territory without municipal organization;
- High growth areas;
- Social assistance recipients;
- Children's age groups; and
- Cultural and linguistic groups such as Aboriginal peoples and Francophones.

CMSMs and DSSABs continue to have the flexibility to provide immediate child care subsidy to families facing exceptional circumstances, such as referrals from children's aid societies or victims of domestic violence.

CMSMs and DSSABs are expected to plan for the transition to employment for social assistance recipients so that continuity of child care support is available.

Wait list policies are to take into account families with children enrolled in before- and after school programs at FDK sites.

Extended Day Fee Subsidies

CMSMs and DSSABs are to fund subsidies based on 100% of school-board established before- and after-school rates (per O. Reg. 221/11 (Extended Day and Third Party Programs).

To make the best use of subsidy dollars it was recommended that school boards establish a before-school rate, an after-school rate and a combined rate for the before- and after-school program (per O. Reg. 221/11 (Extended Day and Third Party Programs).

CMSMs and DSSABs are to establish overall framework agreements with school boards that will cover all FDK school sites where boards are directly operating before- and after- school programs, for the provision of fee subsidies. Where a board has entered into an agreement with a qualified third-party provider, CMSMs and DSSABs will continue with existing contractual processes in place (e.g. continue or enter into purchase of service agreements with individual providers).

Fee Subsidy Management with Children and Operators

Currently, some CMSMs and DSSABs manage fee subsidies in a manner that enables subsidy to "follow the child". In other words, parents can choose from a number of child care centres where they may enrol their child provided there is a vacancy in the appropriate age group and subsidy funding is available from the CMSM or DSSAB. In others, subsidy funding is committed to specific child care centres, such that parents may only enrol their child if there is a vacancy for a subsidized space in the centre.

CMSMs and DSSABs continue to have discretion regarding local fee subsidy management. Most CMSMs and DSSABs in the province use the best practice under which the "subsidy follows the child" in allocating fee subsidy funding. This benefits children and families by helping support the choices for child care that best meet their needs.

DETERMINING ELIGIBILITY

This portion of the guideline reviews the policies and practices related to determination of eligibility for fee subsidy.

Eligible Families

Social assistance recipients are eligible for full subsidy without being subject to the income test. This includes:

- A person eligible for income support under the *Ontario Disability Program Act, 1997*; and
- A person eligible for income assistance under the *Ontario Works Act*, *1997* who is employed or participating in employment assistance activities under the Act or both.

Other parents may be eligible for full or partial subsidy based on the income test formula detailed below.

Income Test

CMSMs and DSSABs must use the income test prescribed by O. Reg. 262 made under the *Day Nurseries Act* to determine eligibility for fee subsidy and the amount of the parental contribution. CMSMs and DSSABs are responsible for administering the income test and verifying information. CMSM and DSSAB staff specifically designated to process applications for fee subsidy must administer the income test.

Questions and answers about the income test may be requested from your Child Care Advisor.

Definition of Income

For the purposes of income testing, the definition of income is "adjusted income" as defined by the federal government for purposes of the Canada Child Tax Benefit (section 122.6 of the federal *Income Tax Act)*. This definition includes net income from line 236 on the income tax returns of both spouses excluding payments received from the federal Universal Child Care Benefit (UCCB).

Verification of Income

All applicants for child care fee subsidy (and where applicable the applicant's spouse), as well as recipients already receiving fee subsidy and being assessed under the income test, are required to provide a copy of either the most recent available *Notice of Assessment* or *Canada Child Tax Benefit (CCTB) Notice* to the CMSM or DSSAB.

- The *Notice of Assessment* may be used for families not receiving the UCCB – refer to "net income" on line 236.
- The *CCTB Notice* may be used for families receiving the UCCB as adjusted income for the CCTB excludes the UCCB.

This means that all applicants (and where applicable the applicant's spouse) are required to file an income tax return annually in order to be considered for fee subsidy eligibility.

Applications for fee subsidy may be taken and eligibility reviews may be conducted at any time during the calendar year. Generally speaking, in the latter half of the calendar year, parents will be required to present the *Notice of Assessment* or *CCTB Notice* for the previous calendar year. In the first half of the calendar year, until documentation is available for the previous tax year, parents may present the documentation for two years earlier. Older documentation is not acceptable.

There is an exception for recent immigrants defined as people who were not residents of Canada in the previous year and had no Canadian income to report for income tax purposes. They are not required to have filed an income tax return and their adjusted income should be considered "zero" in the first year.

For more details regarding legislative authority, calculation of the parental contribution and significant changes in income, please refer to the Child Care Fee Subsidies Legislative Authority and Technical Details Guide in Appendix C.

BUSINESS PRACTICES

Case File Reviews and Protocols

CMSMs and DSSABs require a clear policy to determine when an applicant or recipient's file/application requires review. The policy may include reviewing files based on the child's age and associated change in programming as well as expected changes in circumstances (e.g. students who are beginning or finishing their studies). In order to maintain up-to-date information on parents' eligibility, CMSMs and DSSABs will at minimum review individual files at least once a year.

As a best practice, CMSMs and DSSABs should establish and communicate their own internal case file review protocols. The protocols may include such aspects as:

- Ensuring file reviews are completed at regular intervals;
- Communicating that random file reviews may be conducted; and
- Ensuring protocols are in place to report the monitoring results and complete the necessary follow up for non-compliance with program requirements.

CMSM and DSSAB policies and protocols must be provided to the Ministry when they are developed or updated and are subject to Ministry review.

Conflict of Interest

Policies should be established that provide a clear audit trail and reduce the potential for conflict of interest in conducting assessments or reviews. Staff of child care and recreation programs must not be involved in the application process. Applicant source documents should be copied and retained on file so that the existence of the documents can be verified in future file reviews.

Protection of Privacy

The collection of documentation related to an application for fee subsidy is subject to the *Municipal Freedom of Information and the Protection of Privacy Act.* CMSMs and DSSABs must protect the confidentiality of an applicant's personal information and related documents.

Purchase of Service Contracts – For-Profit and Non-Profit Sectors

CMSMs and DSSABs may enter into agreements with service providers for the delivery of child care services in a way that can achieve the agreed outcomes, respects the principle of fair treatment to all service providers and supports parental choice.

Protocols for Child Care Licences

The Ministry's Child Care Quality Assurance and Licensing Branch will notify CMSMs and DSSABs in writing when a new child care licence has been issued, a licence is revoked or not renewed and when a provisional licence has been issued to a child care centre (day nursery) or private-home day care agency. CMSMs and DSSABs should review these licences when contracting with child care service providers.

File Retention

Copies of applicants' documents related to income testing, identification of a child's special or social need or a parent's illness or disability must be verified and retained. Client source documents are also copied and kept on file, enabling future interviewers to ascertain the existence of the documents. Closed fee subsidy files should be retained for seven years from the date of closure.

Complaint Resolution and Appeals

As a best practice and to provide parent knowledge of internal review and appeal processes, CMSMs and DSSABs should establish and communicate their own internal policy regarding complaint and appeal processes. These may include:

- How to submit a request for an internal review/appeal;
- Internal appeal timelines;
- Staff training on internal review and appeal processes; and

- How decisions and reasons for decisions will be communicated.

CMSMs and DSSABs should review their internal policies regarding complaints and appeals on a regular basis (e.g. annually).

Complaints and appeals received should also be reviewed at least annually to monitor trends and identify service improvements. The Ministry may review a representative sample of complaints/appeals.

Quality Oversight – Extended Day Programs Offered Directly By School Boards

As board-delivered before- and after-school programs at FDK sites (Extended Day) are governed under the *Education Act*, no additional standards will be required by CMSMs and DSSABs when entering into agreements with school boards. Both boards and third party providers must deliver the program content outlined in the Ministry's *Extended Day Program* document.

Third-party child care arrangements may be subject to any regular provisions of purchase of service agreements, including regarding quality oversight.

REPORTING REQUIREMENTS

The cornerstone of Ontario's performance management framework for the child care program is accountability for service. Service information strengthens accountability for results, informs the public and decision-makers and other public officials, influences policy, signals areas needing attention and improvement and emphasizes the "differences that have been made" by a program or service.

Monitoring and Reporting Process

- The Ministry enters into service contracts with CMSMs and DSSABs for the provision of child care services;
- The service contract contains specific data elements that are the performance measures monitored by the Ministry;
- CMSMs and DSSABs report actual financial and service activity data in EFIS in their Estimates, Revised Estimates and Financial Statements submissions in relation to previously established targets; and
- CMSMs and DSSABs may refer to the current service agreement and EFIS instructions for required service data elements and definitions.

Required Documentation

At a minimum, CMSMs and DSSABs maintain the following documentation on fee subsidy:

- Record of payments to child care service providers; and
- Monthly invoices from service providers reporting child attendance.

Other financial practices and reporting requirements for CMSMs and DSSABs are detailed in the Ministry Business Practices section of this guideline. CMSMs and DSSABs retain required documentation for at least seven years. For further assistance (e.g. monitoring and reporting requirements) please contact the Ministry.

GENERAL OPERATING EXPENSE

PURPOSE

The purpose of the General Operating funding is to support the costs of operating licensed child care programs in order to reduce wait times and fees for services, stabilize service levels, and where funds allow, improve access to high quality affordable early learning and child care services for children and their families.

ELIGIBILITY CRITERIA

Child care operators are required to demonstrate to the CMSM or DSSAB that they are able to meet their minimum wage and mandatory benefits requirements without operating funding in order to qualify for funding. CMSMs and DSSABs will be required to collect documentation to confirm this (sample attestations will be provided for your reference).

The government recognizes and values the important role of non-profit child care operators in the provision of quality child care services for children and families in Ontario. Providing ongoing support to this sector is a key focus of the general operating expense category. As a result, CMSMs and DSSABs are encouraged to allocate general operating funding to licensed non-profit programs, both centre and home-based. Similarly, funds may be allocated to licensed municipal programs.

Consistent with prior wage subsidy/enhancement program criteria, where necessary to meet local community needs, general operating funding may also be provided to licensed for-profit child care programs. However, priority focus should be placed on non-profit operators.

PRIORITIES

CMSMs and DSSABs will use the following principles to inform operating funding priorities while balancing local needs:

- Stabilizing and transforming the existing child care system to enable higher-quality, consistent services;
- Allocating funds equitably and with transparency;
- Increasing convenience and reliability for parents;
- Supporting programs that serve children with special needs, as well as Aboriginal and Francophone children;
- Supporting, strengthening, and where funds allow, expanding the current proportion of child care programs operated by non-profit providers.

Key considerations that must be supported through CMSM and DSSAB policies regarding general operating allocations include:

- Stabilizing child care fees;
- Retaining qualified stable staffing and supporting quality programming;

- Aligning with FDK implementation and supporting child care operators to expand programs for younger age groups by:
  - Mitigating higher operating costs for younger age groups (ages 0-3.8);
  - Supporting the implementation of the Schools-First Child Care Capital Retrofit policy (e.g. converting licensed child care spaces in schools for four and five year olds to younger age groups).
- Prioritizing funding based on child care licensing history, financial history and viability of programs.
- Capacity of programs to access funds through other means.

ALLOWABLE EXPENSES

General operating funding may be used for ongoing costs, including: staff wages and benefits, lease and occupancy costs, utilities, administration, transportation for children, resources, nutrition, supplies, maintenance, etc.

Ministry funding can only be used to offset salary costs over and above the operator's regulatory requirements for minimum wage and mandatory benefits.

In addition, for 2013 and 2014, when CMSMsand DSSABs calculate the operating funding allocations to operators, the wage rate per FTE funded through operating funding can not exceed the per FTE wage rate that was paid by the operator in 2012.

As a result, the amount eligible for inclusion in a General Operating allocation to an operator for 2013 and 2014 is:

1. the per FTE compensation level funded in 2012 OR
2. where an operator is new in 2013, CMSMs and DSSABs will determine a maximum compensation level based on the local average per FTE compensation level[3] provided to operators who received wage subsidy and wage enhancement funding in 2012.

Note: Operating funding may not be used toward capital debt costs except for those allowed in Appendix B: Admissible and Inadmissible Expenditures.

REPORTING REQUIREMENTS

CMSMs and DSSABs will be required to report on the following data elements regarding General Operating, in their EFIS Revised Estimates submission:

- number of licensed child care programs receiving general operating funding;
- number of FTEs supported with operating funding – (RECEs, Director-approved program staff, program staff without an RECE and non-program staff);
- number of contracts for general operating funding;

[3] CMSMs and DSSABs have discretion in determining whether more than one average wage rate is required in their region based on the variance in wage rates in local communities.

- total licensed capacity of all centres supported (cumulative); and,
- fees charged by operators and rates paid by CMSMs and DSSABs, by licensed age groups, as set out in Schedule 4.2 on EFIS

CMSMs and DSSABs are also required to report on the following expenditures in EFIS:

- total operating funding allocated to non-profit, municipal and for-profit operators on: salaries and benefits, lease and utilities, and other

IMPLEMENTATION

The Ministry acknowledges that some CMSMs and DSSABs may have already passed their 2013 municipal budgets and that 2013 agreements with operators are already underway. Therefore, some CMSMs and DSSABs may wish to maintain the status quo (i.e. the process used under the previous wage subsidy guidelines) for their local funding approach for operating funding in 2013. Where possible, CMSMs and DSSABs are encouraged to begin implementing this part of the guideline in 2013.

As service system managers, CMSMs and DSSABs are required to develop a policy for the equitable allocation of operating funding to child care operators in their community, based on the above noted priorities and principles. The policy must be shared with the community to ensure a transparent approach. CMSMs and DSSABs will provide a brief transition statement to the Ministry about how the funding changes have been applied in the context of their current service plan including what work is being done to prepare for future service planning.

CMSMs and DSSABs should build on their existing community consultation processes and compilation of pressures for the former wage subsidy funding to develop the policy. To ensure transparency, the policy must be shared with the community and provided to the Ministry.

CMSMs and DSSABs may wish to require an annual budget submission from operators to assist in determining maximum allocations. For example, CMSMs and DSSABs may wish to set a maximum amount that each operator may be allocated, as a percentage of an operator’s overall budget (e.g. no more than 20% of total operating budget).

CMSMs and DSSABs are strongly encouraged to require that operators use operating funding allocations to support a stable ongoing operating and wage base, rather than allocating as lump sums.

FINANCIAL MANAGEMENT

- Service providers are to promptly report any significant reduction in service levels and/or staffing, that is not of a temporary nature, to the CMSM or DSSAB. Reduction of staffing and/or service levels will result in a proportional recalculation of the amount of operating funding approved by CMSMs and DSSABs.

- Any identified surplus or unspent funds is returned to the CMSM or DSSAB or deducted from allocations. In the event of a service closure, surplus funds are to be refunded to the CMSM or DSSAB.

- CMSMs and DSSABs may then manage any remaining in-year surpluses according to Ministry financial policies as detailed in the Ministry Business Practices section of this guideline. Note: CMSMs and DSSABs must meet contracted service targets before reallocating funds to other child care programming.

PAY EQUITY MEMORANDUM OF SETTLEMENT

PURPOSE

To enable the province to continue to support eligible organizations with the cost of implementing proxy pay equity.

ELIGIBILITY

As a result of the Memorandum of Settlement, the province announced additional proxy pay equity funding for eligible non-profit service providers. In order to be eligible, child care programs were required to:

- have a proxy order from the Pay Equity Commission;
- have posted pay equity plan(s) based on proxy comparisons;
- have current and/or outstanding proxy obligations; and
- receive funding through CMSMs and DSSABs to provide child care.

EXPENDITURE REQUIREMENTS

The province will continue to flow funding as agreed in the Memorandum of Settlement to CMSMs and DSSABs as part of the Core Services Delivery allocation. CMSMs and DSSABs are required to continue to flow the pay equity amounts, as identified by the Ministry, to service providers. Service providers are required to continue to meet their pay equity obligations.

REPORTING REQUIREMENTS

CMSMs and DSSABs will report on pay equity memorandum of settlement expenses in EFIS in their Revised Estimates and Financial Statements submissions. CMSMs and DSSABs will also be required to report on the number of centres that receive funding under the pay equity memorandum of settlement.

Please Note: This section of the guideline is currently under review and is subject to change.

SPECIAL NEEDS RESOURCING EXPENSE

INTRODUCTION

The purpose of this section of the guideline is to provide CMSMs and DSSABs with an overview of the Ministry of Education's current policies, standards, requirements and expectations with respect to the management of special needs resourcing funding. The document details the purpose of special needs resourcing; the eligibility and expenditure requirements; direction for planning and collaboration; the reporting process; and the required documentation.

PURPOSE

Special Needs Resourcing (SNR) funding is to be used to support the inclusion of children with special needs in regulated child care settings and approved recreation programs at no additional cost to parents / guardians.

ELIGIBILITY AND PROVISION OF SERVICES

Services and supports purchased through SNR funding are to be provided in licensed child care centres and regulated private-home day care for children with special needs up **to age 18** and for children with special needs ages **5.8 (as of August 31st of that year) to 18 years** in approved recreation programs. (Refer to the *School-Age Recreation Guideline* for the definition of "approved recreation program").

Services and supports purchased through SNR funding shall be provided only in licensed child care centres, regulated private-home day care and in approved recreation programs.

All service providers and regulated child care programs involved in the provision of SNR services must comply with legislative and regulatory requirements for obtaining parental consent for service and information exchange for any purpose (e.g. referrals).

EXPENDITURE REQUIREMENTS AND STAFFING

Under the 2013 funding formula, CMSMs and DSSABs are required to spend a minimum of 4.1 percent of their total child care allocation (outlined in schedule C of the service agreement) on Special Needs Resourcing. CMSMs and DSSABs are encouraged to consider local community needs when determining their SNR expenditure and may wish to spend a larger percentage of their total allocation as required. As a result, many CMSMs and DSSABs will exceed this minimum expenditure. Where a CMSM or DSSAB does not meet the minimum spending requirement of 4.1 percent of their total child care allocation, the Ministry will recover all remaining unspent funds.

CMSMs and DSSABs reconcile service providers' use of funds annually. If the service provider's year-end report identifies a surplus, the surplus is deducted from future special needs resourcing payments. In the event of a service closure, surplus funds are to be refunded to the CMSM or DSSAB.

SNR funding may be used to:

- Hire or acquire the services of a resource teacher/consultant or supplemental staff where necessary (including salary and benefits) to support the inclusion of children with special needs.
- Provide training for staff in regulated child care settings working with children with special needs to support inclusion; and,
- Purchase or lease specialized/adaptive equipment and supplies to support children with special needs.

Please Note: SNR funded resource teachers/consultants and supplemental staff may not be counted toward the required ratio of employees to children in regulated child care programs.

Resource teachers/consultants can be hired directly by the CMSM/DSSAB or child care service provider or their services can be secured through an agreement with a local service agency. It is recommended that resource teachers/consultants working in regulated child care settings have the following qualifications:

1. holds a diploma in early childhood education (ECE) from an Ontario College of Applied Arts and Technology or an academic qualification that a Director (under the DNA) considers equivalent to an ECE diploma;
2. has completed a post-secondary program of studies approved by a Director that is both theoretical and practical and that relates to supporting children with special needs; and,
3. hold a current standard certificate in first-aid.

Resource teachers/consultants typically provide a wide range of supports for children with special needs to support their participation and inclusion in regulated child care settings. These supports may include providing child care staff with program adaptation strategies, developing individual program plans, conducting developmental screens, providing referrals to community agencies and obtaining specialized equipment as required.

Resource teachers/consultants may work with several children in multiple regulated child care locations and can also provide general training to regulated child care operators/providers regarding their work with both parents and children. As Special Needs Resourcing is provided for licensed child care settings, resource teachers/ consultants cannot provide services within a family's personal home (excluding private-home child care locations).

PLANNING AND COLLABORATION

CMSMs and DSSABs are encouraged to collaborate in the planning and provision of services and supports with SNR service providers, parents/guardians, schools/school board personnel, and other professionals and community service programs and agencies such as Healthy Babies Healthy Children, Infant Development, Pre-school Speech and Language, Best Start Networks, Ontario Early Years Centres, children's mental health, the Autism Intervention Program and Applied Behavioural Analysis autism initiatives. Cross-disciplinary collaboration will help to improve SNR service levels, promote seamlessness for between services for children and their families, support transitions between support settings and minimize potential barriers to service delivery.

REPORTING REQUIREMENTS

CMSMs and DSSABs report actual financial and service activity data to the Ministry through EFIS as part of their estimates, revised estimates and financial statements.

Special Needs Resourcing is one of the three contractual service targets that CMSMs and DSSABs are required to submit as part of the service agreement. In addition to the contractual service targets, CMSMs and DSSABs are required to report on the data elements outlined in Appendix A of this guideline. Data elements include:

- Expenditures by type of activity undertaken, including one or more of the following: training, tools and resources; consultant services; intensive supports; and supplemental staffing.
- Number of child care programs served (centre-based and home-based).
- Number of children served by age group.
- Number of full-time equivalent staff.

For more information on financial practices, reporting requirements, data elements and definitions please refer to the Ministry Business Practices Requirement section of this guideline.

REQUIRED DOCUMENTATION

At minimum, CMSMs and DSSABs must maintain the following special needs resourcing documentation:

- Record of payments to special needs resourcing service providers; and,
- Reports from service providers that include actual expenditures and service data that support CMSMs and DSSABs in completing their estimates, revised estimates and financial statements.

CMSMs and DSSABs must retain required documentation for at least seven years.

PRESCRIBED SERVICES

Under O. Reg. 262, Subsection 66.1(2) of the *Day Nurseries Act,* the provision of special needs resourcing services as defined above, is a prescribed service.

ADMINISTRATION EXPENSE

PURPOSE

To support CMSMs and DSSABs in their role as service system managers. This expense is intended to support administrative costs associated with all types of child care funding.

ELIGIBILITY CRITERIA

All designated delivery agents under the DNA (CMSMs and DSSABs) are eligible to receive administration funding.

EXPENDITURE REQUIREMENTS

The following list defines the range of administrative expenditures that are cost sharable between the Ministry and CMSMs and DSSABs.

Staffing
Payment of gross salaries and wages, vacation pay, sick pay, compassionate pay, overtime and statutory holiday pay for staff involved in managing the child care service system and support staff.

Benefits
Employer contributions for pension, employment insurance, workers' compensation, employee benefit plans and other legal requirements of the employer.

Purchased Professional Services
Purchased professional services that are not client related, including costs incurred in purchasing professional services for which the CMSM or DSSAB itself does not employ staff (e.g. fees for administrative or corporate legal work, audit or bookkeeping fees).

Accommodation
Reasonable costs to a maximum of fair market value for accommodation required for the management of the child care service system and related administration. Fair market value for purchased accommodation is defined as the probable estimated dollar price of the property if that property were exposed for sale in the open market by a willing seller and allowing a reasonable time for a willing buyer.

A fair market value estimate must be accompanied by an indication of the exposure time linked to the value estimate. Exposure time is the estimated length of time the property would have been for sale on the open market before a hypothetical purchase at market value. Exposure time precedes the effective date of the value estimate and is based upon past market trends as they affect the type of real property under consideration.

The above definition of fair market value must also be applied to rented accommodations, whereby the estimated dollar amount is a rental price, and the willing parties are the owner and the tenant.

In the case of owned buildings, the eligible annual cost will be based on fair market value of rent or imputed rent.

Travel
Reimbursement of staff costs for travel required to carry out the management of the delivery and administration of child care. Travel costs in Ontario that are associated with attendance at meetings relevant to child care service delivery.

Education and Staff Training
Staff development and educational opportunities which assist in the management and administration of the child care system. Travel, accommodation and costs associated with educational conferences, seminars etc. within Ontario and Quebec.

Technology
The Ministry funds 100% of the design, development, basic installation and training costs of the Ontario Child Care Management System.

The Ministry will not cost share in any aspect of the development of new technology systems developed independently by CMSMs and DSSABs before or after designation. However, the Ministry will cost share in expenditures associated with maintaining fee subsidy systems that existed prior to 1998.

The Ministry will cost share in ongoing expenditures for systems e.g. leased computer hardware, software, network access charges, operating costs, system enhancements, software updates, computer supplies and maintenance required to support the management of child care delivery and administration for fee subsidy systems that existed before 1998 and maintenance and user support for all components of the Ontario Child Care Management System.

General Office Expenses
Costs associated with the following items may be required to support the management of the child care system:

- Telephone and fax (may include rentals, regular charges, long distance, etc.)
- Postage and courier
- Office supplies (may include stationery, forms, maps, books, periodicals)
- Printing (may include production, translation, printing and other costs)
- Photocopier rental and services
- Insurance payments (fidelity, fire, public liability, theft, other) including bonding and liability insurance for staff
- Furnishings

- Office equipment and maintenance
- Building maintenance (may include janitorial, cleaning, minor repairs, security)
- Bank transaction charges
- Collection and bad debt costs (may include court fees, credit bureau etc.)
- Advertising and marketing (job postings, newsletters)
- Research, consultation and professional services
- Moving and relocation
- Memberships and subscriptions
- Security
- Records Management
- Minor miscellaneous expenses

Note: The sharable cost of administration definitions outlined above are functional in nature. Management functions of the child care system may be dedicated or prorated for the portion associated with the management of the child care system, if shared with other departments and offices.

In determining employee salaries and wages include total gross salary and wage payments to all full-time, part-time, temporary, relief and staff on paid leave of absence. Total salaries equals gross pay including overtime, paid vacation, paid sick leave, statutory holidays etc. The employer’s share of employee benefits can be included when calculating benefit costs.

REPORTING REQUIREMENTS

CMSMs and DSSABs will report on administrative expenses in EFIS in their Estimates, Revised Estimates and Financial Statements submissions.

Reporting includes the number of full-time equivalent staff by position and number of staff (head count), along with the total salaries and wages association with each position type.

Reporting also includes expenditures by category as described in the previous section on Expenditure Requirements.

SECTION 4: SPECIAL PURPOSE

CAPACITY BUILDING EXPENSE

PURPOSE

Capacity building funding is intended to support professional development opportunities that build the capacity of licensed child care operators, supervisors, program staff/caregivers, home visitors, home child care providers and non-profit volunteer board members to support the provision of high quality programs for children ages 0 to 12. High quality child care programs are child-centred and provide environments and experiences to engage children in active, creative and meaningful exploration and learning.

ELIGIBILITY CRITERIA

CMSMs and DSSABs may deliver professional development opportunities per the allowable expenses below, or CMSMs and DSSABs may provide capacity building funding for the purposes outlined in the Allowable Expenses section below to:

- licensed centre-based and home-based child care operators, i.e. non-profit, directly operated and for-profit; and/or
- non-profit agencies that provide early learning professional development (including SNR agencies) and/or,
- post-secondary institutions to develop and deliver early learning professional development (e.g. certificate courses, workshops)

Professional development opportunities may be provided to child care supervisors, program staff, resource teachers/consultants, supplemental SNR staff, cooks, home child care providers, home visitors, other staff or boards of directors of licensed non-profit programs.

PRIORITIES

In addition to funding system-wide professional development priorities, CMSMs and DSSABs should prioritize capacity building funding for licensed child care programs and/or non-profit agencies that:

- have limited access to professional development opportunities;
- have limited capacity in business administration;
- require support in meeting licensing requirements;
- require support in improving program quality; and/or
- serve Francophone or Aboriginal children and families.

ALLOWABLE EXPENSES

CMSMs and DSSABs will have the local discretion to direct funding to support a range of professional development opportunities, as follows:

- Professional development opportunities that align with DNA regulations and Ministry policy (e.g., workshops, mentoring and coaching, networks that are delivered in-person, virtually, etc.)
- Program-related professional development opportunities that align with the six guiding principles outlined in Ontario's Early Learning Framework and promote reflective practise.
- Professional development opportunities related to child care program business administration (e.g., budgeting, leadership, human resource management, policy development, and board governance etc.)
- Professional development opportunities related to the health, safety and well-being of children (e.g., nutrition, first aid, environmental health, communicable diseases, etc.)
- Release time and overtime to support staff in participating in professional development opportunities.
- Travel costs to support attendance at professional development opportunities (municipal policies pertaining to travel and accommodation apply).

Note: see the Administration funding guideline for related allowable CMSM and DSSAB expenses.

Note: While capacity building funding is intended to support licensed child care programs, partnerships with other community organizations such as resource centres, colleges, FDK professional development opportunities, and parenting support programs is encouraged.

REPORTING REQUIREMENTS

CMSMs and DSSABs will be required to report on the following through EFIS:

- Number of licensed programs supported;
- Expenditures by subject matter of professional development provided (program quality, business administration, health and safety, etc.)

For 2014, the Ministry would like to include reporting on the number of participants in professional development opportunities, and will be seeking advice from municipal partners on how to best track this information.

CMSMs and DSSABs are also required to report on the total capacity building funding allocated to non-profit, municipal and for-profit operators, as well as other agencies (i.e. SNR).

In this transition year, the Ministry respects that some CMSMs and DSSABs may not be able to provide this level of data. Where reporting challenges exist, CMSMs and DSSABs are asked to provide a statement to their Child Care Advisor (CCA) about how the funding was used so that the Ministry has an affirmation that the funding is supporting capacity building including the understanding and use of the Early Learning Framework.

IMPLEMENTATION

As service system managers, CMSMs and DSSABs are required to begin developing a policy in 2013 for the equitable allocation of capacity building funding to child care operators in their community, based on the above noted priorities, with a view to implement the policy in 2014. The policy must be shared with the community to ensure a transparent approach.

The Ministry acknowledges that some CMSMs and DSSABs may have already passed their 2013 municipal budgets, and that 2013 agreements with operators and agencies are already underway. Therefore, some CMSMs and DSSABs may wish to maintain the status quo for their local funding approach for capacity building funding in 2013. Where possible, CMSMs and DSSABs are encouraged to begin implementing capacity building in 2013.

TRANSFORMATION EXPENSE

PURPOSE

CMSMs and DSSABs are receiving Transformation funding to support viability and facilitate child care transformation within their communities. CMSMs and DSSABs are encouraged to work collaboratively with school boards and child care operators to align the use of transformation funding with investments under the Schools-First Child Care Retrofit policy wherever possible.

ELIGIBILITY CRITERIA

Transformation is intended to cover one-time costs for non-profit child care operators, including licensed child care centres and PHDC agencies that are involved in business transformation activities and/or require business transformation supports.

Business transformation activities are defined as, but not limited to the following:

- The amalgamation of two or more centres in a school or community setting;
- The relocation of a child care centre to a school or within the community; or,
- The retrofitting of an existing child care centre to serve younger age groups.

Business transformation supports include the following one-time expenses:

- Legal costs (available only to operators that are amalgamating);
- Lease termination costs (available only to operators that are amalgamating and/or relocating);
- Moving costs (available only to operators that are amalgamating and/or relocating);
- Business planning costs;
- IT upgrades to facilitate internet connectivity for business purposes; and/or
- Play-Based Material and Equipment.

ELIGIBLE EXPENDITURES

Eligible expenditures under Transformation are grouped under three categories:

Category 1: Amalgamation of Two or More Operators

- Up to $6,500 per amalgamation to support legal costs for two or more operators that are amalgamating.

Category 2: Relocation of an Operator and/or Amalgamation of Two or More Operators

- Lease Costs (i.e., to cover the expense of terminating a lease); and/or,
- Moving Costs.

Category 3: Business Transformation Supports

- Up to $3,000 per operator to support business planning costs;

- Up to $1,000 per centre or PHDC agency for technology upgrade costs that facilitate internet connectivity for business purposes; and/or
- Play-based material and equipment.

REPORTING REQUIREMENTS

Transformation expenditures will be reported and monitored through the Estimates, Revised Estimates and Financial Statements submissions.

In addition to the total expenditure on transformation, CMSMs and DSSABs will be required to report in EFIS on the number of, and associated expenditures for:

- Operators that have amalgamated into a school or within the community;
- Operators that have relocated into a school or within the community;
- Operators that have received business transformation supports only; and,
- Total licensed capacity of the child care programs supported (cumulative).

SMALL WATER WORKS EXPENSE

PURPOSE

Small Water Works (SWW) funding supports costs related to small water systems for licensed child care centres. CMSMs and DSSABs with child care centres that have historically received SWW funding will receive an allocation in 2013. CMSMs and DSSABs that do not receive allocations may choose to fund SWW costs using funding from within their existing allocation. The SWW allocations included in the service agreement are based on 2011 Ministry of Children and Youth Services allocations.

ELIGIBLE EXPENDITURES

SWW funding should be used to support regular ongoing water testing and maintenance expenses which are limited to the following expense categories – laboratory testing, chemicals, supplies/filters, courier costs, maintenance of water treatment equipment including replacement UV bulbs and training. Costs related to the purchase and installation of systems and equipment are not eligible.

REPORTING REQUIREMENTS

The CMSM or DSSAB will report their SWW expenditures and number of centres supported in their Estimates, Revised Estimates and Financial Statements.

REQUIRED DOCUMENTATION

CMSMs and DSSABs are not required to submit receipts for SWW expenditures to the Ministry; however, receipts must be kept on file as the Ministry may request this information per the service agreement.

APPLICATION FOR ADDITIONAL FUNDING

Eligible CMSMs and DSSABs may submit requests for additional funding, to support SWW costs for operators who require funding that exceeds their historical allocation, to the Ministry of Education, Early Learning and Child Care Implementation Branch for evaluation and approval. The approval of additional funds will be dependent on the availability of surplus SWW funds. SWW funds allocated through this process must be spent in-year. CMSMs and DSSABs may also use funds from within their existing child care allocation to support SWW costs.

LEGISLATIVE AUTHORITY

Drinking water systems that supply water to a day nursery where the source of the water is not from a municipal water service connection are required to comply with O. Reg 170/03 under the Safe Drinking Water Act, 2002.

TERRITORY WITHOUT MUNICIPAL ORGANIZATION

PURPOSE

Territory without Municipal Organization (TWOMO) funding for child care helps support the costs for child care services provided in territory without municipal organization.

ELIGIBILITY

TWOMO funding only applies to DSSABs with territory without municipal organization, which is territory outside the geographical area of any municipality or First Nation.

EXPENDITURE AND REPORTING REQUIREMENTS

Funding for TWOMO under the new child care funding formula is a special purpose allocation. The funding is calculated in four stages:

- Stage 1: The municipal levy is calculated based on:
  - The total approved DSSAB Budget
  - Less other sources of revenue (provincial, federal and other funding)
- Stage 2: The TWOMO share of the municipal levy is determined using the municipal attribution or 'share' percentage.
- Stage 3: Non EDU related allocations are subtracted from the municipal levy to find the total EDU child care program allocation.
- Stage 4: The percentage of municipal levy that the child care program allocation represents is used to calculate the MEDU portion of the TWOMO levy.

DSSABs will revise this calculation, as necessary, in their Estimates, Revised Estimates and Financial Statements submissions to reflect the 2013 approved DSSAB budget and municipal levy.

Additional details on entering TWOMO information in EFIS are available in the EFIS reporting instruction package.

REQUIRED DOCUMENTATION

Along with their Financial Statement submission, DSSABs are requested to submit a copy of the following:

- Approved DSSAB budget; and
- Levy Apportionment details.

The Ministry will verify the amount reported in the Financial Statements submission with the DSSAB's supporting documentation sent to the Ministry during the year-end reporting process.

PLAY-BASED MATERIAL AND EQUIPMENT EXPENSE

PURPOSE

Play-based material and equipment funding is intended to help child care operators to create enriching environments that are developmentally appropriate and promote children's exploration and learning through play, consistent with the principles of the Early Learning Framework.

Play-based material and equipment funding may also be used to purchase non-consumable supplies/equipment that supports the regular operation of the child care program (e.g. kitchen supplies, IT etc).

ELIGIBILITY

All licensed non-profit and for-profit child care operators are eligible to receive play-based material and equipment funding. CMSMs and DSSABs are not required to seek prior approval from the Ministry on play-based material and equipment expenditures; however funding should be prioritized for operators who can demonstrate that the funding will be used to support children's active exploration and learning through play.

REPORTING REQUIREMENTS

CMSMs and DSSABs are required to report expenditures and the number of licensed child care centres in receipt of play-based material and equipment funding.

REPAIRS AND MAINTENANCE EXPENSE

PURPOSE

Child care service providers are required to comply with the Ministry's licensing requirements under the *Day Nurseries Act* (DNA) as well as health and safety practices, the upkeep of equipment, property repairs and maintenance.

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 under the *Day Nurseries Act* (DNA).

ELIGIBILITY CRITERIA

All licensed child care service providers and private-home day care agencies are eligible for repairs and maintenance funding. CMSMs and DSSABs are not required to seek prior approval from the Ministry on repairs and maintenance expenditures; however, funding should be prioritized for child care service providers that can demonstrate that they are not in compliance or are at risk of not being in compliance with licensing requirements under the DNA.

EXPENDITURE REQUIREMENTS

Some common health and safety issues that may be eligible for repairs and maintenance funding include:

Food Preparation
Repair or replacement of:
- hand washing sink in the kitchen
- dishwasher or hot water booster
- major appliances

Major Systems
Repair or replacement of:
- leaking roof
- building foundation
- heating/cooling system
- ventilation system
- sump pump
- emergency lighting
- accessibility
- windows or doors
- asbestos removal or encapsulation
- wiring upgrades

Washrooms
Repair or replacement of:
- fixtures
- partitions
- flooring material
- change table

Play Area
Repair or replacement of:
- damaged walls/peeling paint that may contain lead
- windows
- damaged/worn flooring material or ceiling
- damaged/worn outdoor safety surfacing
- fencing
- drinking water system
- heating system

Code Compliance
• Ontario Fire Code orders/recommendations
• Ontario Building Code orders/
recommendations
• Public Health Code orders/recommendations

CMSMs and DSSABs should prioritize repairs and maintenance expenditures amongst their child care service providers in alignment with community priorities. The above list is a guide and not an exhaustive list. Repairs and maintenance funding cannot be used for program expansion.

Repairs and maintenance funding must be spent by December 31 of each calendar year.

REPORTING REQUIREMENTS

CMSMs and DSSABs are required to report the number of licensed child care programs in receipt of repairs and maintenance funding and the total licensed capacity of the programs supported.

SECTION 5: CAPITAL

CAPITAL RETROFITS EXPENSE

PURPOSE

Capital retrofit funding is to help transition and modernize the child care sector as it adapts to the implementation of full-day kindergarten.

This funding should focus on strengthening the child care system, promoting longer-term sustainable child care services and supporting stable fee structures to help better meet the needs of children and families.

ELIGIBILITY CRITERIA

Consistent with previous Ministry capital investments, capital retrofit funds are available only for non-profit child care centres. Programs must provide documentation to the CMSM or DSSAB to demonstrate that they are operationally sound and are incorporated as a non-profit corporation.

Capital retrofit funding is to be used to support the reconfiguration of existing child care spaces, not to fund new capital facilities for system growth.

PRIORITIES

CMSMs and DSSABs may wish to consider the following in determining allocations to operators:

- Supporting the identified priorities for the child care system;
- Supporting the viability of existing child care operators who have been identified as being impacted by the implementation of FDK to refocus services for children 0-4 years old;
- Capacity of programs to access funds through other means;
- Child care licensing history;
- Program budget and financial history;
- Level of investment required to support viability;
- Investment in quality programming;

CMSMs and DSSABs are advised to consider the quality of the child care centre when allocating capital retrofit funding. Centres that are repeatedly non-compliant with the *Day Nurseries Act* and pose health and safety risks to children should not be funded.

ALLOWABLE EXPENSES

Capital retrofit funding will help to offset the costs of minor renovations of existing child care centres to serve younger aged children as 4 and 5 year olds enter FDK. Minor renovations may include:

- Adding a wall to create an infant sleep room in a previous JK/SK room;
- Renovating a playground space; or
- Renovating washrooms for toddlers.

A CMSM or DSSAB's expense under capital retrofit may exceed their allocation as outlined in Schedule B. See the financial flexibility section in the introduction of this guideline for more details.

Capital retrofit funding must be expended by December 31, 2013. If the funds are not expended by December 31, 2013, they will be recovered through the Ministry's 2013 year-end financial statements.

REPORTING REQUIREMENTS

CMSMs and DSSABs are required to report the expenditures and purpose, as well as the number, name and licensed capacity (prior to and after retrofits) of licensed child care centres in receipt of capital retrofit funding through the Estimates, Revised Estimates and Financial Statement submissions in EFIS.

CMSMs and DSSABs are required to advise the Ministry of any knowledge regarding the sale/transfer/renovation of child care properties which had previously received capital funding from the government.

SECTION 6: CHILD CARE SERVICE PLANNING

CMSMs and DSSABs are designated as child care service system managers responsible for planning and managing the child care system at the local level. Child care services are managed by CMSMs and DSSABs through a local service planning process that reflects current child care legislation, regulations and directives.

The Ministry acknowledges that some CMSMs and DSSABs completed child care service plans for 2013, which in some cases may include a multi-year framework. The Ministry will be seeking advice from CMSMs and DSSABs through means such as an on-going provincial/municipal child care funding 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.

CMSMs and DSSABs may wish to begin planning for the development of new local policies for the equitable allocation of general operating, capacity building and play-based material and equipment funding to child care operators in their community. These policies should be based on the priorities and principles outlined in the General Operating, Capacity Building and Play-Based Material and Equipment sections of this guideline, respectively.

Additional details on future child care service planning will be provided in Winter 2013. The Ministry will look to municipal partners for advice regarding content and any potential timing restrictions.

FINANCIAL DATA (APPLICABLE TO ALL DETAIL CODES)

Shortname: AGROSEXP$
Name: Adjusted Gross Expenditures
Definition:
The Adjusted Gross Expenditures are expenditures approved for Ministry subsidies. This is the amount upon which the Ministry subsidy formula is applied.
The Adjusted Gross Expenditure amount is the sum of expenditure under each expense category shown in column 1 of Schedule 2.4 less Required Parental Contribution,Parental Fee (for directly operated) and Other Offsetting Revenues. It is referred to as "adjusted" because columns 2, 3 and 4 of Schedule 2.4 are deducted from Column 1, the organization's gross expenditure.

Data Type: Financial Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

Shortname: GROSEXP$
Name: Gross Expenditures

Definition:
Schedule 2.4, Schedule of Adjusted Gross Expenditures, Column 1 is the sum of the total costs for the delivery of ~~a~~ service under each expense category and may also be useful in analyzing the costs of a unit of service. Although the Ministry may only fund a portion of this total cost, it is important to know the gross expenditures under each expense category and not only the portion the Ministry subsidizes.

Data Type: Financial Specific - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

CORE SERVICES

CHILD CARE GENERAL OPERATING

Expense Type:
Delivery Agent Child Care Operating

Expense Definition:
MEDU funding paid through the Delivery Agent to non-profit and for-profit licensed child care operators to support ongoing costs, including: staff wages (above minimum wage only) and benefits, lease and occupancy costs, utilities, administration, resources, transportation, nutrition, supplies, and maintenance and other operating costs.

DATA ELEMENTS:

Shortname:
Name: Number of Child Care Operators Receiving Operating Funding
Definition:
The number of licensed child care operators that receive operating funding to support ongoing child care costs including: staff wages (above minimum wage only) and benefits, lease and occupancy costs, utilities, administration, resources, transportation, nutrition, supplies, and cleaning.

Data Type: Other Service Target- Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname:
Name: Number of Registered Early Childhood Educator (RECE) FTEs
Definition:
The number of full-time equivalent staff who hold an RECE, in child care centres, home child care agencies, and special needs resourcing agencies, including home child care providers who receive general operating funding. Full-time equivalent is based on a minimum of 35 hours per week.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname:
Name: Number of Director-Approved FTEs
Definition:
The number of full-time equivalent staff who are not RECEs, but who have been otherwise approved by a EDU Director to provide child care in child care centres, home child care agencies, and special needs resourcing agencies, including home child care providers who receive general operating funding. Full-time equivalent is based on a minimum of 35 hours per week.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname:
Name: Number of FTEs without an RECE

Definition:
The number of full-time equivalent staff who are considered untrained (do not hold an RECE), in child care centres, home child care agencies, and special needs resourcing agencies, including home child care providers who receive general operating funding. Full-time equivalent is based on a minimum of 35 hours per week.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CCNONPSTA#
Name: Number of FTE Non-Program Staff
Definition:
The number of full-time equivalent non-program staff (including cooks, bus drivers, housekeeping, janitorial, clerical staff, financial personnel and chief administrators) in child care centres, home child care agencies, and special needs resourcing agencies, including home child care providers who receive general operating funding. Full-time equivalent is based on a minimum of 35 hours per week.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CCCONTRCT#
Name: Number of Contracts
Definition:
The number of child care centres, private-home day care agencies and special needs resourcing agencies, receiving general operating funding.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CCCONTRCT#
Name: Number of Spaces Supported
Definition:
The total licensed capacity of all centres and private-home day care agencies supported through general operating funding.

Data Type: Other Service Target –Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

CHILD CARE FEE SUBSIDIES

Expense Type:
Child Care Delivery Agent Fee Subsidy

Expense Definition:
Child Care subsidies used to purchase spaces from non-profit and for-profit child care and private home child care agencies through contracts with delivery agents.

DATA ELEMENTS:

Shortname: AVGINFSER#
Name: Average Monthly Number of Infants Served
Definition:
The number of infants receiving fee subsidy. Each infant is counted once every month. The number reported is the year-to-date average (mean) of the number of infants receiving fee subsidy in each month. For infants, less than 18 months old. Each child will move up to the next age group according to their birth date.

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements.

Shortname: AVGTODSER#
Name: Average Monthly Number of Toddlers Served
Definition:
The number of toddlers receiving fee subsidy. Each toddler is counted once every month. The number reported is the year-to-date average (mean) of the number of toddlers receiving fee subsidy in each month. For toddlers, 18 months of age and over up to and including 30 months of age. Each child will move up to the next age group according to their birth date.

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements.

Shortname: AVGPRESER#
Name: Average Monthly Number of Preschoolers Served
Definition:
The number of preschoolers receiving fee subsidy. Each preschooler is counted once every month. The number reported is the year-to-date average (mean) of the number of preschoolers receiving fee subsidy in each month. For preschoolers, more than 30 months of age up to and including 4 years of age. Each child will move up to the next age group according to their birth date.

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements.

Shortname: AVGJKSER#
Name: Average Monthly Number of JK Children Served
Definition:
The number of JK children receiving fee subsidy. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of JK children receiving fee subsidy in each

month. For JK children who are 3 years and 8 months of age, as of September 1st of each year, up to and including 5 years of age.

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGSKSER#
Name: Average Monthly Number of SK Children Served
Definition:
The number of SK children receiving fee subsidy. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of SK children receiving fee subsidy in each month. For SK children who are 4 years and 8 months of age, as of September 1st of each year, up to and including 6 years of age.

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGSCHSER#
Name: Average Monthly Number of School-Age Children Served
Definition:
The number of school-aged children receiving fee subsidy. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of school-aged children receiving fee subsidy. For school-aged children who are 5 years and 8 months of age, as of August 31st of each year, up to and including 12 years of age (under 18 for children with special needs).

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGSCHREC#
Name: Average Monthly Number of School-Age Children Served in Recreation Programs
Definition:
The number of school-age children enroled in recreation programs. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of children enroled in recreation programs in each month. For school-aged children who are 5 years and 8 months of age, as of August 31st of each year, up to and including 12 years of age (under 18 for children with special needs).

Data Type: Other Service Target –Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements.

Shortname:
Name: Number of Children Served - Day Nurseries Act
Definition:
The number of children receiving fee subsidies. Each child is counted only once in the budget year. Include fee subsidies for school-aged children enrolled in recreation programs.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CCRECREAT#

Name: Number of Children Served - Recreation
Definition:
The number of school-age children enrolled in recreation programs receiving this service. Each child is counted only once in the budget year.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CHSRVBAS#
Name: Number of Children Served - Before and After School
Definition:
The number of JK/K children participating in either or both the before and after school programs receiving fee subsidies. Includes children in programs licensed under the *Day Nurseries Act* with an agreement with a school board to provide before and/or after school child care at school sites where FDK must be provided as per O. Reg. 224/10. Each child is counted only once in the budget year.

Data Type: Component of Contractual Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

ONTARIO WORKS CHILD CARE

Expense Type:
Ontario Works Child Care

Expense Definition:
Covers costs of formal and informal child care arrangements of Ontario Works (OW) participants.

DATA ELEMENTS:

Shortname: CHISERF#
Name: Number of children served - OW Formal
Definition:
The number of children of Ontario Works participants provided with child care in licensed child care settings. Each child is counted only once in the budget year.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGINFSER#
Name: Average Monthly Number of Infants Served – OW Formal
Definition:
The number of infants of Ontario Works participants provided with child care in licenced child care settings. Each infant is counted once every month. The number reported is the year-to-date average (mean) of the number of infants of Ontario Works participants provided with child care in licenced child care settings. For infants, less than 18 months old. Each child will move up to the next age group according to their birth date.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGTODSER#
Name: Average Monthly Number of Toddlers Served – OW Formal
Definition:
The number of toddlers of Ontario Works participants provided with child care in licenced child care settings. The number reported is the year-to-date average (mean) of the number of toddlers of Ontario Works participants provided with child care in licenced child care settings. For toddlers, 18 months of age and over up to and including 30 months of age. Each child will move up to the next age group according to their birth date.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGPRESER#
Name: Average Monthly Number of Preschoolers Served - OW Formal
Definition:
The number of preschoolers of Ontario Works participants provided with child care in licenced child care settings. The number reported is the year-to-date average (mean) of the number of preschoolers of Ontario Works participants provided with child care in licenced child care settings. For preschoolers,

more than 30 months of age up to and including 4 years of age. Each child will move up to the next age group according to their birth date.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGJKSER#
Name: Average Monthly Number of JK Children Served - OW Formal
Definition:
The number of JK children of Ontario Works participants provided with child care in licenced child care settings. The number reported is the year-to-date average (mean) of the number of JK children of Ontario Works participants provided with child care in licenced child care settings. For JK children who are 3 years and 8 months of age, as of September 1st of each year, up to and including 5 years of age.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGSKSER#
Name: Average Monthly Number of SK Children Served - OW Formal
Definition:
The number of SK children of Ontario Works participants provided with child care in licenced child care settings. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of SK children of Ontario Works participants provided with child care in licenced child care settings. For SK children who are 4 years and 8 months of age, as of September 1st of each year, up to and including 6 years of age.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGSCHSER#
Name: Average Monthly Number of School-Age Children Served - OW Formal

Definition:
The number of school-aged children of Ontario Works participants provided with child care in licenced child care settings. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of school-aged children of Ontario Works participants provided with child care in licenced child care settings. For school-aged children who are 5 years and 8 months of age, as of September 1st of each year, up to and including 12 years of age (under 18 for children with special needs).

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: AVGSCHSER#
Name: Average Monthly Number of Children Served – OW Informal
Definition:
The number of children receiving Ontario Works Informal child care. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of children receiving Ontario Works Informal child care in each month.

Data Type: Component of Contractual Service Target – Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CHISERV#
Name: Number of Children Served - OW Informal
Definition:
The number of children of Ontario Works participants provided with child care in unlicensed child care settings. Each child is counted only once in the budget year.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

SPECIAL NEEDS RESOURCING

Expense Type:
Delivery Agent - Special Needs Resourcing

Expense Definition:
Funding to Delivery Agents to purchase staff (resource teachers/consultants or supplemental staff), equipment, supplies or services for children with special needs in day nurseries, private-home day care, or an accredited children's recreation program.

DATA ELEMENTS:

Shortname: CHISER4#
Name: Number of Children Served - Special Needs Resourcing
Definition:
The number of children with special needs receiving special needs resourcing. Each child is counted only once in the budget year. Include special needs resourcing supporting school-aged children enrolled in recreation programs.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: FTESTAFCC#
Name: Number of Full Time Equivalent (FTE) Staff -Special Needs Resourcing
Definition:
The number of resource teachers/consultants or supplemental staff responsible for the delivery of the service. Full-time equivalent is based on a minimum of 35 hours per week.

Data Type: Other Service Target - Static
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: CCRECREAT#
Name: Number of Children Served – Recreation
Definition:
The number of school-age children enrolled in recreation programs receiving this special needs resourcing. Each child is counted only once in the budget year.

Data Type: Other Service Target- Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: ANS0-SK#
Name: Average Monthly Number of Children Served - Special Needs Resourcing
Definition:
The number of children with special needs up to and including SK age receiving special needs resourcing. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of children served each month.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

Shortname: AVGSCHSER#
Name: Average Monthly Number of School-Age Children Served – Special Needs Resourcing
Definition:
The number of school-aged children receiving special needs resourcing. Each child is counted once every month. The number reported is the year-to-date average (mean) of the number of school-aged children receiving special needs resourcing. For school-aged children who are 5 years and 8 months of age, as of September 1st of each year, and under 18 years of age.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: TBD
Name: Number of Licensed Child Care Programs Served – Special Needs Resourcing
Definition:
The number of licensed child care programs (centre and home based) that receive support for Special Needs Resourcing through direct funding or service from a resource teacher/ consultant or supplemental staff.

Data Type: Other Service Target- Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

CHILD CARE PAY EQUITY UNION SETTLEMENT

Expense Type:
Delivery Agents - Pay Equity Union Settlement

Expense Definition:
Funding provided to child care programs (centre and/or home-based) as a result of the April 23, 2003 Memorandum of Settlement between the government and five unions.

DATA ELEMENTS: NONE

Shortname: TBD
Name: Number of Licensed Child Care Program Served
Definition:
The number of licensed child care programs (centre and home-based) that receive funding under the pay equity union settlement.

Data Type: Other Service Target- Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

SPECIAL PURPOSE

CAPACITY BUILDING

Expense Type:
Capacity Building

Expense Definition:
Capacity building funding is intended to build the capacity of licensed child care operators, supervisors, staff/caregivers, SNR resource teachers/consultants, home visitors, home child care providers and non-profit volunteer board members to support the provision of high quality programs for children ages 0 to 12. This funding supports non-profit and for-profit programs, centre-based and Private Home Day Care.

DATA ELEMENTS:

Shortname: TBD
Name: Number of Licensed Child Care Programs Supported
Definition:
The number of licensed child care programs (centres and home-based) that received funding to support capacity building for operators, supervisors, staff/caregivers, home visitors, home child care providers and non-profit volunteer board members.

Data Type: Component of Contractual Service Target– Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

CHILD CARE ADMINISTRATION
Expense Type: Child Care Administration **Expense Definition:** Amount paid to child care delivery agents for administrative costs as defined in the Child Care Administrative Cost Sharing Guidelines. Expenditures may not represent an amount greater than either 10 percent of the CMSM's or DSSAB's 2013 total allocation or the dollar amount contributed in their prior year financial statements (2011) to Administration, whichever is lower.
DATA ELEMENTS: NONE

TRANSFORMATION

Expense Type:
Transformation

Expense Definition
Funding to support viability and facilitate child care transformation within communities. This funding is available for eligible non-profit child care operators that are involved in business transformation activities and/or require business transformation supports.

DATA ELEMENTS:

Shortname: CCELLICHS#
Name: Number of Licensed Child Care Centres Funded
Definition:
The number of non-profit licensed child care centres that receive transformation funding for costs related to business transformation activities and/or supports.

Data Type: Other Service Target - Cumulative
Frequency: Revised Estimates and Financial Statements

Shortname: CCCONTRCT#
Name: Number of Spaces Supported
Definition:
The total licensed capacity of all centres supported through transformation funding.

Data Type: Other Service Target –Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

REPAIRS AND MAINTENANCE

Expense Type:
Delivery Agent Repairs and Maintenance

Expense Definition:
Funding to delivery agents to address repair and maintenance needs of agencies providing licensed child care programs.

DATA ELEMENTS:

Shortname: CCRPRMNT#
Name: Number of licenced programs funded for repairs and maintenance
Definition:
The number of licensed programs, child care centres or private-home day care agencies, that received funding to address health and safety concerns.

Data Type: Other Service Target - Cumulative
Frequency: Revised Estimates and Financial Statements only

Shortname: CCCONTRCT#
Name: Number of Spaces Supported
Definition:
The total licensed capacity of all centres and private home day-care programs supported through repairs and maintenance funding.

Data Type: Other Service Target –Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

SMALL WATER WORKS

Expense Type:
Small Water Works Child Care

Expense Definition:
Operating expenditures related to small water works regulation that came into effect on December 19, 2001. (Chemical and Biological testing, engineer's reports).
Legislation: Safe Drinking Water Act

DATA ELEMENTS:

Shortname: CCFUNDSMW#
Name: Number of licenced centres funded for Small Water Works

Definition:
The number of licensed child care centres receiving funding to support small water works testing.

Data Type: Service Specific - Cumulative
Frequency: Revised Estimates; Financial Statements

PLAY-BASED MATERIAL AND EQUIPMENT

Expense Type:
Play-Based Material and Equipment

Expense Definition:
One-time funding for child care operators to purchase play-based material and equipment to help create enriching environments that are developmentally appropriate and promote children's exploration and learning through play. Play-based material and equipment funding may also be used to purchase equipment that supports the ongoing operation of the child care program.

DATA ELEMENTS:

Shortname: CCELLICHS#
Name: Number of Licensed Centres Funded
Definition:
The number of licensed child care centres that received one-time to purchase play-based material and equipment to help create enriching environments. Funding may also be used to purchase equipment that supports the ongoing operation of the child care program.

Data Type: Other Service Target - Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

CAPITAL

CAPITAL RETROFIT

<u>Expense Type</u>:
Capital Retrofit

Expense Definition:
One-time funding to help transition and modernize the licensed child care sector as it adapts to the implementation of full-day kindergarten. This funding is targeted to non-profit centres that are operationally sound.

DATA ELEMENTS:

Shortname: CCTC#
Name: Number of Non-Profit Licensed Centres Funded- Capital Retrofit
Definition:
The number of existing non-profit licensed child care centres that receive funding for retro-fits to serve younger age groups as they transition to serve children ages 0-4 where 4 and 5 year olds are moving to FDK.

Data Type: Other Service Target – Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

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Shortname: TBD
Name: Number of Spaces Supported
Definition:
The total licensed capacity of all centres supported through capital retrofit funding.

Data Type: Other Service Target –Cumulative
Frequency: Estimates; Revised Estimates; Financial Statements

APPENDIX B: ADMISSIBLE / INADMISSIBLE EXPENDITURES

Administration Expenditures
Administration expenditures (i.e. fees) incurred by the CMSM/DSSAB are inadmissible when expressed solely in terms of a percentage of program expenditures. Only actual expenditures incurred for program administration can be an admissible expense.

Amortizations
Amortizations (tangibles and intangibles) are inadmissible expenditures under the Ministry's modified accrual basis of accounting.

Appropriations
Appropriations (i.e. charges to reserves or allowances) are inadmissible expenditures under the Ministry's modified accrual basis of accounting.

Bonuses, Gifts and Honoraria
Bonuses (including retiring bonuses), gifts and honoraria are admissible expenditures when paid to staff on the condition that the value is reported on the employee's annual T4. Bonuses, gifts and honoraria are inadmissible expenditures when paid to Board members.

Capital Expenditures
Capital expenditures are admissible when expended for the purpose outlined in the capital section of this guideline.

Capital Loans
Principal and interest on capital loans are admissible expenditures only in Ministry approved debt retirement situations (i.e., the retiring or paying out of a mortgage). A Mortgage Funding Agreement must be executed in these cases.

Donations and Transfers
Donations and/or transfer of funds made by the CMSM/DSSAB to other charitable institutions/ organizations are inadmissible expenditures.

Fund Raising
Fund raising expenditures are admissible if the revenue raised is used to offset costs eligible for Ministry funding entitlement

Interest on Operating Loans
Interest on operating loans is an inadmissible expenditure unless approved by the Ministry.

Lease/Rental Costs when paid to Non-Arms Length Corporations
Lease/Rental Costs when paid to Non-Arms Length Corporations which are reasonable are

admissible with prior Ministry approval, provided expenditures do not exceed those that would be paid if the transaction were at arms length.

Mortgage Financing
Principal and interest payments are admissible expenditures with prior Ministry approval.

Pension Expense and Pension Contribution
Pension expenses are an employer's expense (accruals) for the company's pension plan during a period. They are non-cash item hence are inadmissible, whereas, Pension Contributions are an employer's actual payments/obligations into a fund and hence are admissible.

Professional Organization Fees
Fees paid on behalf of staff for membership in professional organizations as a condition of employment are inadmissible expenditures.

Property Taxes
Property taxes are admissible expenditures with Ministry approval.

Provisions for Unused Vacation/Sick Leave, Wage Settlements
Provisions or reserve funds for unused vacation/sick leave, wage settlements are inadmissible expenditures. The costs become an admissible expenditure when the actual payments are made.

Provisions for Repairs or Replacements
Provisions for repairs or replacements are inadmissible expenditures.

Provisions for Bad Debts
The provision for bad debts is an inadmissible expenditure.

Replacement Expenditures
Expenditures for the replacement of furniture, equipment or vehicles are admissible expenditures only with prior Ministry approval and if the full trade-in value of the replaced item is recorded or if the asset records provide satisfactory evidence of the manner in which the item was disposed.

Retainer Fees
Fees paid as a retainer to have legal or other professional services available on a stand-by basis are inadmissible expenditures. Reasonable fees for services rendered are admissible expenditures.

Travel Expenses
Travel Expenses are admissible expenditures where the expenditure represents a reimbursement of actual travel expenses incurred in conducting business related to services and programs subsidized by the Ministry. CMSMs and DSSABs may wish to refer to the Ministry policies on travel expenditures as a guide.

APPENDIX C: FEE SUBSIDY LEGISLATIVE AUTHORITY AND TECHNICAL DETAILS

LEGISLATIVE AUTHORITY

The following information identifies the specific sections of the legislation and regulations that relate to financial eligibility for fee subsidies. It outlines how provincial funds are allocated to CMSMs and DSSABs for the provision of prescribed child care services.

Applications for Assistance

Subsection 19 (1) of the *Day Nurseries Act* (DNA) describes the application for assistance as:

> "an application for assistance towards the cost of private-home day care or services provided in a day nursery on behalf of persons in receipt of such services may be made,
>
> (a) where the services are provided in a day nursery operated by a municipality, band or approved corporation or under an agreement entered into under subsection 3 (3), to the person who plans and directs the program of the day nursery and who is in charge of the children;
>
> (b) where the assistance is for private-home day care under an agreement entered into under subsection 4 (3), to the person who plans and directs the day care program and carries out visits of inspection; or
>
> (c) to any person or class of persons designated in writing by the Minister."

Family Composition

Family composition is a key component in determining eligibility for fee subsidy. Criteria used in the application process include the definition of the family unit and the determination of adjusted income to be used in calculating the parental contribution toward the cost of child care. This includes applicants who identify themselves as a parent.

Section 1 of O. Reg. 262 under the DNA defines a "parent" as:

> "parent" includes a person having lawful custody of a child or a person who has demonstrated a settled intention to treat a child as a child of his or her family

The determination of adjusted income also includes applicants who identify themselves as:

- Couples in a relationship with some permanence and/or
- Couples cohabiting for a period not less than three years.

Section 29 of the Family Law Act (FLA) states:

> "spouse" means a spouse as defined in subsection 1 (1), and in addition includes either of two persons who are not married to each other and have cohabited,
> (a) continuously for a period of not less than three years, or
> (b) in a relationship of some permanence, if they are the natural or adoptive parents of a child.

In cases where the applicants (couples) have cohabited for a period less than three years and have a child together, the parents have an obligation to support the child. Subsection 31 (1) of the *Family Law Act* (FLA) states:

> "every parent has an obligation to provide support for his or her unmarried child who is a minor or is enrolled in a program of education, to the extent that the parent is capable of doing so."

Income Test

Section 1 of O. Reg. 262 includes the following definition:

> "adjusted income" means adjusted income as defined in section 122.6 of the *Income Tax Act* (Canada)

Section 66.2 of O. Reg. 262 defines categories of persons who are eligible for fee subsidy:

66.2 (1) The following persons are eligible, as parents, for assistance with the cost of child care:

1. Persons eligible for income support under the *Ontario Disability Support Program Act, 1997*.
2. Persons eligible for an allowance under the *Family Benefits Act*.
3. Persons eligible for income assistance under the *Ontario Works Act, 1997* who are employed or participating in employment assistance activities under that Act or both.
4. Persons who are eligible for assistance on the basis of their adjusted income.

(2) A parent who falls into paragraph 1, 2 or 3 of subsection (1) who is the recipient of a child care subsidy,

(a) shall, subject to clause (b), be fully subsidized for the cost of child care; or
(b) shall be provided with the amount of funding for child care provided under paragraph 7 of subsection 66.1 (2), if the parent is being provided with funding under that provision.

(3) A parent is eligible for assistance under paragraph 4 of subsection (1) if the amount that the parent would pay for child care on the basis of their adjusted income, as determined under section 66.4, is less than the amount the parent would otherwise pay for child care.

Section 66.3 of O. Reg. 262 defines the documentation necessary for the verification of income:

66.3 (1) Every year parents may apply to a delivery agent for assistance with the cost of child care.

(2) Subject to subsection (3), parents applying for assistance with the cost of child care on the basis of their adjusted income shall file with the delivery agent,
   (a) a copy of their Notice of Assessment or Canada Child Tax Benefit Notice for the previous year; or
   (b) if their Notice of Assessment or Canada Child Tax Benefit Notice for the previous year is not available, a copy of their most recent available Notice of Assessment or Canada Child Tax Benefit Notice.

(3) Parents who are applying for assistance with the cost child care on the basis of their adjusted income that were non-residents in Canada in the previous year are not required to file the documents referred to in subsection (2) and their adjusted income is deemed to be $0 for the purpose of their application for assistance.

Section 66.4 provides the formula for calculating the amount that parents receiving subsidy are expected to pay toward the cost of child care:

66.4 (1) The amount of the child care subsidy for which a parent is eligible on the basis of their adjusted income is the amount by which the amount that the parent would otherwise pay for child care exceeds the amount the parent would pay as calculated under subsection (2) or (3).

(2) A parent shall not pay any of the cost of child care for their children, if the parent is the recipient of a child care subsidy and,
   (a) has a total adjusted income of $20,000 or less; or
   (b) the amount the parent would contribute on the basis of their adjusted income for each month of child care, as calculated under subsection (3), is less than $10.

(3) If a parent is the recipient of a child care subsidy and has a total adjusted income of more than $20,000, the parent shall pay, for each month the child is in care, the amount for the cost of child care for their children determined by the following calculation:

$$((A \times .10) + (B \times .30)) \div 12$$

where,
   A is the amount by which their adjusted income exceeds $20,000 but is not more than $40,000, and
   B is the amount by which their adjusted income exceeds $40,000.

(4) Delivery agents shall calculate the daily amount paid for child care by parents who fall within subsection (3) in accordance with the following calculation:

$$A \div (B \times 4.35)$$

where,
   A is the monthly amount paid by the parent for child care determined under subsection (3), and
   B is the number of days per week the child attends child care.

Section 1 of O. Reg. 262 defines a “handicapped child” as:

> “A “handicapped child” means a child who has a physical or mental impairment that is likely to continue for a prolonged period of time and who as a result thereof is limited in activities pertaining to normal living as verified by objective psychological or medical findings and includes a child with a developmental disability”

Section 1 of O. Reg. 262 defines a “developmental disability” as:

"A "developmental disability" means a condition of mental impairment present or occurring during a person's formative years, that is associated with limitations in adaptive behaviour"

Section 66.5 of O. Reg 262 describes the provisions for a family that includes a parent and/or child with a disability:

66.5 (1) Despite the definition of adjusted income in section 1, if a parent of a child has a disability or the child is a handicapped child, the delivery agent shall reduce the adjusted income of the parent by the amount of any expenses related to the disability for which the parent is not reimbursed and for which there are no deductions under the *Income Tax Act* (Canada) and the reduced adjusted income shall be treated as the parent's adjusted income for the purposes of section 66.4.

(2) For the purposes of this section a parent has a disability if,

(a) the person has a substantial physical or mental impairment that is continuous or recurrent and that is expected to last one year or more; and

(b) the direct and cumulative effect of the impairment on the person's ability to attend to his or her personal care, function in the community and function in a workplace results in a substantial restriction in one or more of these activities of daily living.

(3) For the purposes of this section, the following persons may determine whether a person has a disability or a child is a handicapped child:

1. A member of the College of Physicians and Surgeons of Ontario.
2. A member of the College of Psychologists of Ontario.
3. A member of the College of Optometrists of Ontario.
4. A member of the College of Nurses of Ontario who is a registered nurse and who holds an extended certificate of registration in accordance with the regulations made under the *Nursing Act, 1991*.

Section 66.6 deals with in-year decreases in income:

66.6 (1) A parent may apply to the delivery agent during the year for a decrease in the amount he or she pays for the cost of child care if the parent has a reduction in their adjusted income of 20 per cent or more during the year compared to their adjusted income,

(a) in the previous year; or

(b) in the year before the previous year, if proof of their adjusted income is not available for the previous year.

(2) On application under subsection (1), the delivery agent may recalculate the child care subsidy in accordance with this section.

(3) In applying for a decrease under subsection (1), the parent shall provide satisfactory evidence of the reduction in income and of the amount of the reduction to the delivery agent.

(4) If a delivery agent is satisfied that there has been a reduction of 20 per cent or more in adjusted income, the delivery agent shall re-calculate the amount that the parent pays for child care using the reduced adjusted income as the basis of the calculation under section 66.4.

Subsection 68 (4) of O. Reg. 262 establishes CMSM/DSSAB responsibility for determining eligibility for fee subsidy:

> **68.** (4) The adjusted income and the available income of a person for the purpose of this Regulation shall be determined by an Ontario Works administrator, a Director or such person as the Director approves.

Prescribed Services

> Under O. Reg. 262, Subsection 66.1 (2) of the *Day Nurseries Act*, the provision of day nursery, private-home day care and in-home services, children's recreation programs and funding for participants in employment assistance activities under the *Ontario Works Act, 1997* are prescribed services.

Persons with Disabilities

Families in which a parent and/or child has a disability are able to have disability-related expenses deducted from adjusted income. This reduced income will then be used to determine eligibility for fee subsidy and to calculate the parental contribution for child care.

For a child, he or she must meet the definition of a "handicapped child" in O. Reg. 262 under the *Day Nurseries Act*:

- A child who has a physical or mental impairment that is likely to continue for a prolonged period of time and who as a result thereof is limited in activities pertaining to normal living as verified by objective psychological or medical findings and includes a child with a developmental disability.

For a parent, the definition of a person with a disability is consistent with the definition used for purposes of the Ontario Disability Support Program, i.e.:

- A person has a substantial physical or mental impairment that is continuous or recurrent and expected to last one year or more; and
- the direct and cumulative effect of the impairment on the person's ability to attend to his or her personal care, function in the community and function in a workplace, results in a substantial restriction in one or more of these activities of daily living.

To determine whether a parent qualifies based on this definition, the CMSM/DSSAB will need to request a note from a professional in the following groups:

- A member of the College of Physicians and Surgeons of Ontario;
- A member of the College of Psychologists of Ontario;
- A member of the College of Optometrists of Ontario; or
- A member of the college of Nurses of Ontario who is a registered nurse and who holds an extended certificate of registration in accordance with the regulations made under the *Nursing Act, 1991*.

If the parent is eligible to claim the disability amount, line 316 on the personal income tax form, a qualified person, usually a medical doctor, must have certified that the parent is eligible to claim the amount. This certification may also be used to establish that the parent qualifies to have disability-related expenses deducted for purposes of the fee subsidy income test.

Eligible expenses that may be subtracted from adjusted income are those that are not deductible and for which a credit cannot be claimed through the income tax system. Eligible expenses must not be reimbursable, for example through insurance or a government program.

Applicants for child care subsidy will need to bring documentation for disability-related expenses that they wish to have deducted from adjusted income, including:

- Receipts for the disability-related expenses which must have been incurred in the same calendar year as the adjusted income;
- A copy of the completed income tax return for the most recent tax year to show the expenses that may have been deducted or claimed as credits; in particular, the disability supports deduction (line 215) and the medical expenses (claimed on lines 330 and 331) should be reviewed.
- A note signed by an eligible professional if the parent has a disability or evidence that the parent is eligible to claim the disability amount, line 316 on the personal income tax form. In the latter case, the parent should provide a copy of the certified Form T2201, *Disability Tax Credit Certificate*.

Calculation of Parental Contribution

Fee subsidies are available across a broad range of income levels. Families with an adjusted annual income of up to $20,000 are eligible for full fee subsidy and no calculation of a parental contribution is required.

For families with adjusted income above $20,000, parental contribution is calculated based on 10% of their adjusted income over $20,000.

<u>Example:</u>

1. A family with adjusted income of $25,000 annually would have a parental contribution of 10% of $5,000 annually or $500.

When the family's annual adjusted income is above $40,000, parental contribution is calculated at 10% of the amount over $20,000 up to $40,000 *plus* 30% of the amount over $40,000.

<u>Example:</u>

2. A family with an annual adjusted income of $45,000 would have a parental contribution of 10% of $20,000 ($2,000) plus 30% of $5,000 ($1,500). Total annual parental contribution would be $3,500.

No family will pay more than the total cost of child care for all children in the family. If the calculated parental contribution exceeds the cost of child care, the family is not eligible for fee subsidy.

A parent fee calculator is provided in the Child Care Service Management and Funding Reference Package showing examples of the daily parent fee that applies at selected levels of income.

Monthly and Daily Contribution Calculations

The monthly parental contribution is calculated by dividing the annual parental contribution amount by 12.

Examples:

3. A family with an annual adjusted income of $25,000 has an annual parental contribution amount of $500. Their monthly contribution amount would be $41.67.
4. A family with an annual adjusted income of $45,000 has an annual parental contribution amount of $3,500. Their monthly contribution amount would be $291.67.

The income test is designed such that parents pay the monthly parental contribution as calculated above in each month that their child(ren) need child care regardless of the number of days of child care per week. The daily contribution amount is calculated using the following formula:

$$\frac{\text{Monthly parental contribution}}{\text{Days of care per week x 4.35}}$$

Examples:

5. A family with an annual adjusted income of $25,000 has a monthly parental contribution amount of $41.67. The family requires five days of care per week. To calculate their daily contribution amount:

$$\frac{41.67}{5 \text{ x } 4.35} = \$1.92/\text{day}$$

6. A family with an annual adjusted income of $45,000 has a monthly contribution amount of $291.67. The family requires 5 days of care per week. To calculate their daily contribution amount:

$$\frac{291.67}{5 \text{ x } 4.35} = \$13.41/\text{day}$$

7. A family with an annual adjusted income of $45,000 has a monthly contribution amount of $291.67. The family requires 3 days of care per week. To calculate their daily contribution amount:

$$\frac{291.67}{3 \text{ x } 4.35} = \$22.40/\text{day}$$

Minimal Subsidy or Parental Contribution

When the parental contribution is calculated to be less than $10/month the CMSM/SDDAB is to provide a full subsidy to the family. Similarly, the CMSM/DSSAB is not expected to provide a subsidy to the family if the subsidy amount is less than $10/month.

Change in Family Composition

There are situations where the family composition changes from a one-parent family to a two-parent family. This may occur as the result of a marriage or a couple cohabiting for a period not less than three years. In this case, a parent already receiving subsidy is expected to report the change in circumstances to the CMSM/DSSAB at the earliest opportunity. The most recent available *Notice of Assessment* must be provided for the new parent. The combined adjusted income for both parents will then be used to confirm eligibility for fee subsidy and the parental contribution recalculated.

Significant Changes in Income

The income test is based on the annual adjusted income for the most recent available tax year. In most cases, parents are not expected to report in-year increases in income. Any changes in income will be taken into account at the time of the next subsidy review.

Income in the most recent tax year may not reflect the family's current financial situation in cases where families experience a significant decrease in income (e.g. family break-up). In this case, families may apply for a reduced parental contribution. For purposes of the income test, a significant change of income is defined as a decrease of 20% or more compared to adjusted income for the most recent available tax year. Appropriate documentation must be provided by parents to enable the CMSM/DSSAB to verify the change in income, such as pay slips, pension benefit statements or RRSP receipts.

In such cases, the following calculation determines if a significant change in income has occurred. This calculation estimates adjusted income for the current calendar year and compares it to the adjusted income for the most recent available tax year.

STEP 1:
Calculate the sum of the following types of income:

- Gross employment income, before any deductions including income tax, Canada Pension Plan, Employment Insurance, employer pension plan, union dues
- Old Age Security pension
- Canada Pension Plan benefits
- Interest and other investment income

STEP 2:
Calculate the sum of the following deductions from income; all deductions are limited to those that may be claimed for income tax purposes:

- Registered pension plan contributions
- RRSP contributions
- Annual union, professional and like dues

STEP 3:
Subtract the sum of the deductions from the sum of all types of income to determine the estimated adjusted income for the current calendar year.

STEP 4:

Determine the family's "adjusted income" as defined by the federal government for purposes of the Canada Child Tax Credit for the most recent available tax year.

STEP 5:
Subtract the estimated adjusted income for the current year (Step 3) from the adjusted income for the most recent available tax year (Step 4). Calculate the difference as a percentage of the adjusted income for the most recent available tax year. If the percentage is 20% or more, the estimated adjusted income for the current year may be used for purposes of the income test.

<u>Example:</u>
Gross earnings were $1,000/week for 12 weeks and estimated at $600/week for 40 weeks

Step 1: Estimated income for the current calendar year: Gross earnings = $1,000 x 12 + $600 x 40 = $12,000 + $24,000 = $36,000	A	$36,000
Step 2: Deductions from income Registered Pension Plan - $50/week for 12 weeks	B	$600
Step 3: Estimated adjusted income for current calendar year	C = A - B	$35,400
Step 4: Adjusted income for most recent available tax year	D	$50,000
Step 5: Decrease in income: subtract current year from most recent available tax year	E = D – C	$14,600
Percentage decrease	F = E/D x 100%	29%

Since the decrease is more than 20%, the estimated adjusted income of $35,400 for the current year may be used to calculate the parental contribution for child care.