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**2015: B11**

**MEMORANDUM TO:** Directors of Education  
Consolidated Municipal Service Managers (CMSMs)  
District Social Services Administration Boards (DSSABs)

**FROM:** Jim Grieve  
Assistant Deputy Minister  
Early Years Division

Gabriel F. Sékaly  
Assistant Deputy Minister  
Financial Policy and Business Division

**DATE:** **May 26, 2015**

**SUBJECT:** **Capital Funding for New Construction of Child Care**

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The Ministry of Education is pleased to announce a new investment of \$120 million over three years to support the construction of new child care spaces for children 0 to 3.8 years of age in new and expanded schools beginning this school year. This investment is another milestone step towards achieving the full vision of a seamless and integrated early years system in Ontario. It also represents an important component of the Ministry's commitment to increase school-based community hubs across the province. This investment will support continued modernization of the child care sector and create partnership opportunities as we engage with our partners on the provision of community hubs in schools.

### **Context**

Ontario embarked on the biggest innovation in our early years system in decades by implementing publicly-funded full-day kindergarten (FDK) commencing in September 2010. In 2011, the government made a commitment to work with its partners to transition and modernize child care and support its long-term vision of an increasingly accessible and integrated early years system.

As FDK rolled out across the province, the Ministry also developed child care capital policies to support child care operators as they transitioned to serving children 0 to 3.8 years during the school day. To help stabilize the sector and support operators as they transition their programs, two policies were released, including:

- Capital Funding Policy to Replace Child Care Spaces in Replacement Schools (2012:B3 and 2013:B8 memoranda), and
- Schools-First Child Care Capital Retrofit Policy (SFCCCRP) (2012:EL3, 2012:EL4, and 2013:EY3 memoranda).

Capital investments are important steps towards modernizing child care and also building a coordinated and seamless early years system in Ontario. Both school-based child care capital policies focus on stabilizing the child care sector and building increasingly integrated partnerships between school boards and municipal child care service managers through joint planning and approval.

Investments to date, however, have not addressed the need for expansion, particularly in schools where school utilization is maximized and the opportunities for retrofits are limited. New capital investments can now support the need for new child care spaces in schools where there is significant demand as well as the Ministry's mandate to develop a policy that supports the creation of community hubs across the province through collaborative work with municipal partners.

Approval of funding to support new construction of child care is an opportunity to begin to move away from a patchwork of investments to address identified gaps in major capital policy for child care, and create a comprehensive policy approach that aligns with capital policies for schools. To support this, the Capital Funding Policy to Replace Child Care Spaces in Replacement Schools will sunset effective from the date this memorandum has been issued. Funding will continue to be available to replace child care rooms that would be lost due to school closures or other school accommodations.

The new child care capital policy for new construction considers the need for restricted expansion of child care spaces in schools in areas where there is high demand, limited or no space to retrofit in schools. This new investment will also be available to replace child care spaces in replacement schools resulting from school closures.

## **Application Process**

In future rounds of Capital Priorities and School Consolidation Capital (SCC), in order to receive funding for the construction of new child care space, school boards will need to submit a request for the inclusion of new child care construction as part of their Capital Priorities or SCC business case. For those school projects that are only for child care rooms, only an affirmation letter is required.

School boards and CMSMs/DSSABs are expected to work together to identify the need for dedicated child care space to support children ages 0 to 3.8 years in eligible schools.

CMSMs/DSSABs will need to consider projects against demand, long-term viability, and their local child care plan.

## **Eligibility**

The Ministry will consider funding the new construction of child care in schools, under the following conditions:

1. The target school is:
  - a. an existing school that will be accommodating students from a closing school that currently contains child care spaces,
  - b. a new school that is to be constructed and receives Ministry funding approval,
  - c. an existing school that is to undergo a major addition/renovation that receives Ministry funding approval,
  - d. an existing building that has been purchased for the purposes of student accommodation and receives Ministry funding approval, or
  - e. an existing school that has no current child care program and no long-term excess space to retrofit into child care rooms.
2. The school board has the support of the corresponding CMSM/DSSAB regarding the eligibility and viability requirements to build child care rooms and create spaces for ages 0 to 3.8 years in the identified school.
3. The child care spaces will not result in a child care operating pressure for the CMSM/DSSAB.

As part of the submission, the Ministry will require an affirmation letter (see Appendix A for the affirmation letter) signed by both the Manager of Children's Services of their CMSM/DSSAB and the Director of Education of the school board. The affirmation letter confirms that the child care program meets the eligibility and viability requirements to build child care spaces for 0 to 3.8 years and will not result in a child care operating pressure for the CMSM/DSSAB. The letter provides basic project details and identifies the number of child care rooms required by age group in addition to any existing child care rooms, both exclusive and shared space, by age group.

In addition to submitting the affirmation letter as part of your school board's Capital Priorities or SCC business case, the letter should also be submitted to your school board's Ministry Early Years Regional Staff (see Appendix B for a list of Ministry Early Years Regional Staff). The Ministry may request supporting documentation following a review of the affirmation letter.

## Prioritization of Eligible Child Care Capital Projects

The Ministry of Education will use the following factors to prioritize projects under this policy should the number of eligible submissions surpass available funding:

- child care replacement due to school closure/accommodation review;
- age groupings (infant rooms are a priority);
- accommodation pressures/service gaps; and
- cost effectiveness and viability.

## How Child Care Capital Funding Will be Calculated

Child care rooms for new construction will be funded using the current elementary school construction benchmarks (for both elementary and secondary schools under this policy), including the site-specific geographic adjustment factor (GAF). For this policy, the loading factor used to calculate the child care capital funding will be 26 spaces per room regardless of age groupings (e.g., infant, toddler and preschool rooms will all be funded based on 26 spaces per room). This approach will allow school boards to build child care rooms at maximum group size and allow flexibility to address potential changes under the new *Child Care and Early Years Act, 2014* (CCEYA). This funding formula will apply to all new construction of child care, including the replacement of existing child care due to school closure or accommodation review.

Funding Formula for Capital Funding for New Construction of Child Care (amount per child care room)

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26 Child Care Spaces x Elementary Construction Cost Benchmark x Average  
Elementary Area Benchmark x Site Specific GAF

## Eligible Expenses

### Eligible expenses include:

- first-time equipping; and
- expenses incurred to meet *Day Nurseries Act* (DNA)/CCEYA and Building Code standards, that qualify under the Tangible Capital Assets Guide (TCA), revised April 2012.

## **Operational Details to Support the Implementation of the Restricted Child Care Capital Expansion Policy in Schools**

### **Operational Requirements**

New construction of child care spaces must be built in accordance with the DNA or the CCEYA once proclaimed. Existing space requirements under the DNA will be maintained under the CCEYA.

On December 2, 2014, Bill 10 was passed by the Legislative Assembly and received Royal Assent on December 4<sup>th</sup>. The DNA will be repealed and replaced with the CCEYA. The CCEYA will not come into force immediately. An incremental and phased process is planned to implement the provisions under the new Act. At this time, the legislation needs to be officially “proclaimed” into effect. This is not expected to happen before Fall 2015.

The Ministry expects that all new child care rooms will be built to accommodate a maximum group size for each age grouping for children 0 to 3.8 years (e.g., 10 infant spaces, 15 toddler spaces, and 24 preschool spaces), and that child care rooms will be for exclusive use during the core school day.

Programs created will support continuity of services for children and families which mean children can be accommodated as they age out of programs. For example, if a toddler room is included in the project proposal a preschool room must also be available. Project proposals must include the current number of exclusive child care rooms at the school, unless the request is identified for a new school build.

For the purpose of this policy, an eligible child care operator:

- is a not-for-profit operator or municipal operator; or,
- is a for-profit operator already located in a school as a result of an agreement and has a purchase of service agreement, both of which were in place as of the date the memorandum was issued; and,
- has not changed ownership or has not terminated the agreement since the date the memorandum was issued.

Accommodation costs (e.g., rent, heating, lighting, cleaning and maintenance) are the sole responsibility of the child care operator. School boards will recover child care related accommodation costs incurred by school boards from the child care operator to ensure no school board operating cost pressures from new child care spaces. School boards are not to charge operators beyond a cost-recovery level.

Finally, capital investments for child care will not be used to address other school board capital needs. Funding will not be provided for school-age child care spaces as the Ministry will not fund exclusive space for before and after school child care programs.

Also, with the implementation of FDK, there is no need for dedicated child care space for children of this age because it can be provided in shared space in regular school rooms (i.e., kindergarten rooms) for before and after school care.

### **Capital Accountability Process**

The inclusion of a new child care space in the school board's funding approval will have no impact regarding the school board's capital accountability requirements. As per the Ministry's Capital Accountability Requirements, school boards will be required to submit a space template before designing the project, where applicable, school boards will require an Approval to Proceed (ATP) before the project can be tendered (see Appendix B of Memorandum SB:15, dated May 11, 2011, for the latest update on the capital approval process).

It should also be noted that the child care space will not count as loaded space for the purposes of the facility space template.

### **Information on Leases for New Construction of Child Care Centres**

Where a child care centre has been funded through this policy, the physical space will be owned by the school board and leased to the child care operator or CMSM/DSSAB. School boards will recover their heating, lighting, cleaning, and repair costs directly from child care operators and/or CMSMs/DSSABs as per the school board's usual leasing process. School boards are not permitted to absorb additional school board facility costs (e.g., custodial, heat, and lighting) and renewal costs (e.g., windows) through Ministry funding, such as the School Facility Operations or Renewal Grant.

### **Transitional Funding Phase**

The Ministry of Education will consider new child care construction funding for existing Ministry-approved school capital projects that meet the following additional eligibility requirements to those listed above:

- the project has previously received funding approval under the Capital Priorities or SCC programs or other Ministry project approvals, and
- the project has not yet been given an ATP to tender or begun construction.

School boards are encouraged to engage as soon as possible with their CMSM/DSSAB partners to begin to review feasibility of proposed new child care spaces within existing approved school capital projects, based on local demand and existing operating funding.

For this phase, school boards must submit an affirmation letter signed by both the Manager of Children's Services of their CMSM/DSSAB and the Director of Education of the school board to the Ministry by **July 15, 2015**. The affirmation letter should be submitted to both your school board's Ministry Early Years Regional Staff and your

school board's Ministry Capital Analyst (see Appendix C for a list of Ministry Capital Analysts).

The Ministry may request supporting documentation following a review of the affirmation letter.

## **Ministry Contacts**

The Ministry of Education will continue to work with school boards, CMSMs/DSSABs, and child care operators to consider options regarding the best use of space in schools.

If you have any question regarding the eligibility requirements, the prioritization of child care projects and the application process, please contact your school board's Ministry Early Years Regional Staff.

If you have any questions regarding the capital funding, please contact your Ministry Capital Analyst.

*Original signed by*

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Gabriel F. Sékaly  
Assistant Deputy Minister  
Financial Policy and  
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Appendices:

Appendix A: Template – Affirmation Letter for Capital Funding for New Construction Child Care

Appendix B: List of Ministry Early Years Regional Staff Appendix C: List of Ministry Capital Analysts

cc: Superintendents of Business

Child Care Advisors, Early Years Implementation Branch, Ministry of Education  
Education Officers, Early Years Implementation Branch, Ministry of Education

Capital Analysts, Capital Policy and Programs Branch, Ministry of Education

Grant Osborn, Director, Capital Policy and Programs Branch

Shannon Fuller, Director, Early Years Policy Branch

Pam Musson, Director, Early Years Implementation Branch