Child Care Funding Formula and Funding Framework: An Overview

Ministry of Education Webinar
December 18, 2012
Ask a question
For technical assistance please call
1-866-317-9061
or e-mail
webcastsupport@telus.com
1:00  Welcome
Rupert Gordon, Director
Early Learning and Child Care Policy and Program Branch

1:05  Overview and Background – Rupert Gordon

1:25  New Funding Formula and Funding Framework
Andrew Davis, Director
Financial Analysis and Accountability Branch

1:50  Child Care Service Management Guideline Updates
Pam Musson, Director
Early Learning and Child Care Implementation Branch

2:00  Support, Resources and Next Steps – Rupert Gordon

2:05  Questions
Overview

- Today’s webinar will provide Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) information about Ontario’s new funding formula and funding framework for child care.

- We recognize this is a time of transition and will work with CMSMs/DSSABs over 2013 to transition to the new formula and framework.

- Key terms:
  - Funding formula:
    - Method of allocating provincial funds for child care among CMSMs/DSSABs.
  - Funding framework:
    - Rules associated with how those funds may be spent, reporting requirements for expenditures and service levels, and the tracking of results achieved.
Background: Child Care Modernization

• On June 27, 2012, the government distributed the *Modernizing Child Care in Ontario discussion paper* widely to municipalities and other partners.

• The paper:
  – Set out a long-term vision for child care.
  – Sought input on key areas for actions over the next three years, supported by 2012 budget investments, to stabilize and transform the child care sector as full-day kindergarten (FDK) is implemented.
    • We are now more than half way though transition to FDK; it will be fully implemented by September 2014.

• A key focus of the discussion paper was the development of a new, more transparent approach to funding that:
  – Responds to demand for services, helps stabilize fees and improves reliability of child care.
Background:
Challenges with Current Funding Framework

- The current approach to funding is:
  - Outdated and unreflective of demand and changing demographics:
    - Funding is based on historical allocations from as far back as 1998.
    - The current framework uses data elements which are over 20 years old and do not reflect current populations or needs.
    - This has resulted in inequities in service levels across communities.
  - Inefficient, complex and administratively burdensome:
    - Reporting is done through 23 overlapping funding lines.
    - Certain funding lines can be used for multiple purposes, therefore spending cannot be delineated.
    - There are restrictions on the level of funding that can be provided for specific expenditure categories.
Background: Challenges with Current Funding Framework

- **Additional challenges include:**
  
  - **Inflexible and unable to respond to changing pressures:**
    - The current framework and rules inhibit the ability of service managers and operators from being able to respond to the changing landscape as a result of FDK.

  - **Lack of transparency and accountability:**
    - The current reporting structure does not provide a clear picture of what services are provided with child care funding, and limits government’s ability to track and communicate results/outcomes.

- **Concerns about the current framework and lack of formula were identified by:**
  
  - Provincial Auditor in 2005 and 2007
  - Service Delivery Table Report of the Provincial-Municipal Fiscal and Service Delivery Review
Background: Municipal Engagement

- The government has consulted on the development of a new funding formula and framework through:

  1) Written feedback on the discussion paper, which included the following feedback from municipalities:
     - Support for a streamlined, flexible funding formula that includes base or block funding and responds to local needs and administrative capacity.
     - More control over local system planning and the ability to consolidate and allocate funds across all human services delivered locally.
     - Improved centralization of the administration of funding for children services under an early learning and child care system.

  2) Child Care Funding Formula Working Group (CCFFWG):
     - Established under the terms of the Memorandum of Understanding between the Association of Municipalities of Ontario and the Province of Ontario (AMO MOU) and the Toronto-Ontario Cooperation and Consultation Agreement (TOCCA).
     - Included staff from individual municipalities, AMO, OMSSA and the Ministry of Education.
Guiding Considerations

The following key considerations guided the development of the new funding formula and funding framework:

– The intention of funding formula and framework reform is neither the uploading nor the downloading of child care responsibilities between the Province and the municipal sector.

– The ministry would avoid transferring known financial risks to service system managers.

– The ministry would make efforts to mitigate any redistribution of funds among CMSMs/DSSABs as a result of the new funding formula.

– The Province and the municipal sector should establish an ongoing dialogue on implementation, communication and refinement of the formula and framework.
Objectives of New Formula and Framework

• The new funding formula and framework were informed by the following broad objectives:

  – **Efficiency**: Informed by evidence and experience to address inequities in current funding allocations and distribute and simplify funding to maximize its impact on the sector.

  – **Responsiveness**: Based on up-to-date data, allows for changes in the sector, and responds to the need for services.

  – **Predictable and Transparent**: Service managers are able to estimate their future years budgets with a reasonable degree of confidence.

  – **Quality**: Support consistency in approach, access for families and provides high quality programs for children/operators.

  – **Accountability**: Use enveloping and reporting requirements which support funding objectives.
What Will Be Achieved?

• The new funding formula is a more transparent, evidence-based and equitable approach to allocating provincial funds that respond to demands for services.

• The new funding framework provides municipalities flexibility and tools to better manage the child care system at a local level and address issues such as fees and the availability of service.

• This will:
  – Allow municipalities – particularly in growth areas - the capacity to increase service stability and access for both full fee paying and subsidized families, reducing waitlists and mitigating closures of child care centres.
  – Respond to demand for services, help stabilize fees, and improve reliability of child care to better support parents as the system is transitioned to work with FDK.

• Streamlining the rules and reporting under the funding framework allows the government and its municipal partners to deliver more effective service at a better value for taxpayer dollars as well as reduce administrative burden.
Overview of Funding Framework

<table>
<thead>
<tr>
<th>Funding Framework Components</th>
<th>Revenue</th>
<th>Expense</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mechanism</strong></td>
<td>Funding Formula</td>
<td>Legislation*, Regulation &amp; Policy</td>
<td>EFIS Schedules</td>
</tr>
<tr>
<td><strong>Key Principles</strong></td>
<td>Transparent, Responsive and Predictable</td>
<td>Efficient and Flexible</td>
<td>Licensing Data</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Move away from multiple detail codes</td>
<td>Simplify Child Care guidelines &amp; cost share requirements to allow CMSMs/DSSABs to manage child care demands at a local level.</td>
<td>Improve reporting and data collection to inform future policy</td>
</tr>
<tr>
<td></td>
<td>Determine appropriate data element</td>
<td>Strengthen tracking/reporting of targets, system outputs and outcomes</td>
<td>Strengthen Performance Measures</td>
</tr>
</tbody>
</table>

Accountability and Quality

- Track Quality Child Care Outcomes

*Funding authority for child care falls under the Day Nurseries Act and Ministry of Community and Social Services Act.*
Overview of Funding Formula

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

• CMSM and DSSAB allocations are based on reliable, publicly available data elements largely drawn from Statistic Canada such as:
  – Child Population (0 to 12 year olds)
  – Demographic changes to measure demand for fee subsidies (e.g. Low Income Cut Off)
  – Demographic changes to measure demand for other child care cost drivers (e.g. cost of living indicators, aboriginal population data, French speaking populations, measures related to rural and remote communities)

• Key considerations for municipalities:
  – As a result of mitigation tools, no CMSM or DSSAB will see a reduction in funding allocations in 2013. All CMSMs and DSSABs will see increases in total funding allocations in 2013.
  – All new funds are being invested in the formula by the Province as 100% provincial contributions.
  – Municipal contributions are held at 2012 levels, or are reduced where ongoing funding is decreased.
Overview of Funding Formula

- The new funding formula will allocate funding in 2013 to CMSMs/DSSABs under three main components:

1. **Core Service Delivery** - to support the availability of licensed child care for all parents and to assist eligible families with access to licensed/accredited child care and early childhood education programs.

2. **Special Purpose** - is composed of multiple sub-components that reflect the unique costs of delivering services to specific areas or populations:
   - Rural/Remote Component
   - Language Component
   - FDK transition Component
   - Transformation Component
   - Cost of Living Component
   - Aboriginal Component
   - Capacity Building Component
   - Repairs and Maintenance
   - Utilization Component

3. **Capital** - uses demographic data to allocate funding to support capital retrofits to adjust to the implementation of FDK.

Note: Territories without Municipal Organization and Small Water Works funding are allocated separately as they are claims based programs.
**Funding Formula Allocation and Data Elements**

**Child Care Funding Envelope - $922.1M (Calendar Year)**

<table>
<thead>
<tr>
<th>Core Service Delivery</th>
<th>Special Purpose</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>$718.4M - 78%</td>
<td>$193.2M – 21%</td>
<td>$8.8M - 1%</td>
</tr>
</tbody>
</table>

**Main Purposes:**
1. General Operating
2. Fee Subsidy
3. Ontario Works (OW)
4. Special Needs Resourcing

**Data Elements:**
- 23.5% - Population data (0 to 12 years) weighted by staffing ratios for different age groups.
- 66.5% Low Income Cut Off
- 5% OW Caseload data
- 5% Level of education attainment

<table>
<thead>
<tr>
<th>1. Rural/Remote - $28M – 2.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 20% - Population Density</td>
</tr>
<tr>
<td>• 80% - Rural and Small Community Measure</td>
</tr>
<tr>
<td>2. Language - $50M – 5.4%</td>
</tr>
<tr>
<td>• 65.5% is weighting on no knowledge of either official language</td>
</tr>
<tr>
<td>• 34.5% is weighting on speak French most often at home.</td>
</tr>
<tr>
<td>3. FDK transition – $38.5M – 4.2%</td>
</tr>
<tr>
<td>• Weighted population data for 0 to 3.8 year olds.</td>
</tr>
<tr>
<td>4. Transformation - $7.5M – 0.8%</td>
</tr>
<tr>
<td>• Population data for 4 and 5 year old.</td>
</tr>
<tr>
<td>5. Cost of Living - $30M – 2.7%</td>
</tr>
<tr>
<td>• 75% - Survey of Household Spending from Stats Canada</td>
</tr>
<tr>
<td>• 25% - Population data (0 to 12 years) in heavily populated areas</td>
</tr>
<tr>
<td>6. Aboriginal - $2M – 0.2%</td>
</tr>
<tr>
<td>• Off reserve Aboriginal population (0 to 4 years) from Stats Canada</td>
</tr>
<tr>
<td>7. Capacity Building - $5M – 0.5%</td>
</tr>
<tr>
<td>• Population data (0 to 12 years) weighted by staffing ratios for different age groups.</td>
</tr>
<tr>
<td>8. Repairs and Maintenance - $2.2M – 0.2%</td>
</tr>
<tr>
<td>• Population data (0 to 12 years) weighted by staffing ratios for different age groups.</td>
</tr>
<tr>
<td>9. Utilization - $30M – 3.3%</td>
</tr>
<tr>
<td>• Analysis of prior year child care expenditure data reported by CMSMs/DSSABs to EDU annually.</td>
</tr>
</tbody>
</table>

**Capital Retrofits**
- Population data for 4 and 5 year old children.

**Allocation of approximately $1.7M for TWOMO and Small Water Works (Claims based programs).**
Supporting the Transition to the New Formula

- To support the transition of municipalities to the new formula and reduce redistribution impacts among CMSMs/DSSABs, the ministry used the following tools:
  - A **10% cap** on reductions to ongoing CMSM and DSSAB allocations compared to original 2012 allocations.
  - **$50M in one-time mitigation funding** to ensure that CMSMs or DSSABs experiencing a reduction in ongoing funding will not actually experience a change in funding levels for nearly 4 years, and will allow CMSMs/DSSABs time to adjust their service plans.
  - **Special Purpose Allocations**, which capture the unique costs of delivering child care services and ensure ministry policy objectives and government investments are prioritized.
  - A **Utilization Allocation** which is based on prior year spending patterns (to reflect under-spending and over contributions in some CMSMs and DSSABs). This allocation is used as a proxy to capture increased demand of child care services primarily attributable to changes in population.
Meeting the Needs of Unique Communities

• The Ministry has introduced a step function in some Special Purpose Allocations to meet the needs of unique communities and capture the associated program costs:

  – **Language Allocation** captures the unique issues facing communities with large French-speaking populations:
    • Additional weighting is provided for CMSMs/DSSABs with a population greater than 150,000 that have more than 5 percent of their population identified as speaking French most often at home.
    • An additional weighting is provided for those CMSMs/DSSABs with a population greater than 150,000 and have more than 20 percent of their population identified as speaking French most often at home.

  – **Cost of Living Allocation** captures the unique issues facing communities with large urban child population (0 to 12) greater than 125,000.

  – **Remote and Rural Allocation** captures increased costs of delivering child care services in rural and northern communities by providing three times more funding to CMSMs/DSSABs who are both rural and located in northern Ontario.
Expense Reporting

Expense / Program Categories

Non-Profit  For Profit  Directly Operated  Other

General Operating  General Operating  General Operating  
Fee Subsidy  Fee Subsidy  Fee Subsidy  
OW (Formal)  OW (Formal)  OW (Formal)  

Administration

SNR (4.1% minimum of total allocation)

Repairs & Maintenance  Repairs & Maintenance  Repairs & Maintenance  
Play-Based Material & Equipment  Play-Based Material & Equipment  Play-Based Material & Equipment  
Miscellaneous  Miscellaneous  Miscellaneous  Miscellaneous  
Capacity Building  Capacity Building  Capacity Building  
Transformation  Transformation  
Small Water Works  Small Water Works  Small Water Works  
Capital Retrofits  Capital Retrofits  

Core Service Delivery

Increased Flexibility

Special Purpose

Capital
Expenditure Benchmarks

• In order to ensure spending in administration and Special Needs Resourcing (SNR) is maintained at reasonable levels, the ministry has developed expenditure benchmarks as part of the 2013 contracts.

• The expenditure benchmark for administration is an amount that is lower of either 10% of total CMSM/DSSAB allocation or the administrative expense reported in CMSMs/DSSABs 2011 Financial Statement submission.
  – For CMSMs/DSSABs with an allocation increase in 2013, the 2011 Financial Statement amounts may be adjusted upward to reflect increases in funding levels.
  – For CMSMs/DSSABs with an allocation decrease (excluding mitigation funding) or remain constant to 2012 levels, 2011 Financial Statement amounts will not be adjusted.

• The expenditure benchmark for SNR shall not represent an amount less than 4.1% of the CMSM or DSSAB’s total allocation.
  – CMSMs/DSSABs can spend a greater portion of their allocation on SNR depending on local need.

• The ministry will continue to monitor expenditures for these two program categories.
New Funding Flexibility

- Unlike the previous funding framework which matched funding lines (detail codes) to specific expenses, the new framework separates them.

- To support service system manager discretion in addressing local community needs, the majority of allocations (e.g. core service delivery, special purpose funding allocations with full flexibility) can be used for a number of expenses, e.g. fee subsidy, operating, SNR, administration, etc.

- 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
  - Capital Retrofits
  - Transformation has limited flexibility; it may be used to offset the expenses associated with capital retrofits.
Child Care Service Management Guideline Updates

- 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.

- This will help **reduce the administrative burden** on CMSMs/DSSABs and child care operators in the delivery of licensed child care in Ontario.

- The guideline will be a **working document throughout the 2013 transition year**.

- The new guideline consists of **six sections that follow the new funding framework**: Introduction, Ministry Business Practice Requirements, Core Service Delivery, Special Purpose Funding, Capital Funding, Child Care Service Planning, as well as Appendices.
# Child Care Service Management Guideline Updates

<table>
<thead>
<tr>
<th>New Guideline Section</th>
<th>New Program Category</th>
<th>Previous Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>CMSM/DSSAB Service System Administration</td>
<td>MCSS Child Care System Guideline, June 30, 1999</td>
</tr>
<tr>
<td>Ministry Business Practice Requirements</td>
<td>Ministry Business Practice Requirements</td>
<td>EDU Business Practices, July 2012</td>
</tr>
<tr>
<td>Core Services Delivery</td>
<td>Fee Subsidy</td>
<td>MCYS Fee Subsidy (including Ontario Works), December 2006</td>
</tr>
<tr>
<td></td>
<td>General Operating - <strong>NEW</strong></td>
<td>MCYS Wage Subsidy, May 2006</td>
</tr>
<tr>
<td></td>
<td>Pay Equity Memorandum of Settlement</td>
<td>(Included in MCYS Wage Subsidy, May 2006)</td>
</tr>
<tr>
<td></td>
<td>Special Needs Resourcing</td>
<td>MCYS Special Needs Resourcing, May 2006</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>Appendix D of MCSS Business Practices, July 2000</td>
</tr>
<tr>
<td>Special Purpose</td>
<td>Capacity Building - <strong>NEW</strong></td>
<td>(Included in EDU Business Practices as a component of “system needs”)</td>
</tr>
<tr>
<td></td>
<td>TWOMO</td>
<td>Included in EDU Business Practices, July 2012</td>
</tr>
<tr>
<td></td>
<td>Repairs and Maintenance</td>
<td>Included in EDU Business Practices, July 2012 as “Health and Safety”</td>
</tr>
<tr>
<td></td>
<td>Play-Based Material and Equipment - <strong>NEW</strong></td>
<td>Included in EDU Transition, July 2012 as “Toys and Equipment”</td>
</tr>
<tr>
<td>Capital</td>
<td>Capital Retrofits</td>
<td>Included in EDU Transition, July 2012 as “Transition Minor Capital”</td>
</tr>
<tr>
<td>Child Care Service Planning</td>
<td>Service Planning</td>
<td>MCYS Service Planning, July 2005</td>
</tr>
</tbody>
</table>
Child Care Service Management Guideline Updates: New Expense Categories

- **General Operating:**
  - Can be used for a broader range of operating costs, including staff wages (above minimum wage and mandatory benefits), lease and occupancy costs, administration, resources, transportation, nutrition, supplies and maintenance.
  - May be allocated to licensed non-profit, municipal and for-profit child care programs, both centre and home-based, and SNR agencies.

- **Capacity Building:**
  - This will be the first time that CMSMs/DSSABs receive a dedicated capacity building allocation.
  - CMSMs/DSSABs will have the local discretion to direct funding to support a range of professional development opportunities.
  - This funding is intended to build the capacity of licensed child care operators, supervisors, program staff/caregivers, home visitors, resource teachers/consultants and supplementary SNR staff, home child care providers and not-for-profit volunteer board members to support the provision of high quality programs for children ages 0 to 12.
  - Funding can not be transferred out of capacity building funding, however, additional funds can be moved from other allocations to spend on capacity building.

- See **appendix** for further details on guideline updates.
Support and Resources

- The ministry is providing CMSMs/DSSABs the following support and resources on the new funding formula and funding framework:
  - December 18, 2012 memorandum to CMSMs/DSSABs
  - Posting of today’s webinar and slide presentation on the ministry website
  - Technical paper
  - New child care service management guideline and service agreements

- Ministry Child Care Advisors (CCAs) are available to provide support and will follow up shortly with CMSMs/DSSABs to discuss questions about the new 2013 child care funding formula and framework.

- In early January, regional meetings will be held with CMSMs/DSSABs and their CCAs and Financial Analysts (FAs), and to review changes to guidelines and service agreements.
Next Steps

• CMSMs/DSSABs will receive shortly:
  – Draft 2013 Child Care Service Agreement
  – Detailed information on next steps for the 2013 child care contracting process

• The ministry will support timelines associated with council approvals of revised funding. Service agreements are expected to be in place in the first quarter of 2013.

• The ministry has and will continue to work closely with York to provide support to CMSMs/DSSABs and information around how to use OCCMS in context of the new framework.
  – Further communication will be coming out in the early new year regarding immediate next steps from an OCCMS perspective.

• A minor Day Nurseries Act regulatory change is anticipated in early 2013 to ensure flexibility and administrative streamlining in cost-shared funding.

• The ministry will continue to consult with municipalities through an ongoing provincial/municipal child care funding working group to inform further implementation, communication and revisions on the funding framework and formula.
  – In addition, feedback will be sought during regional meetings with CMSMs/DSSABs.

• The government is committed to continuing to look at other ways to modernize child care, building on the feedback we have received, and working collaboratively with municipal partners to build a more robust child care system.
Key Links

- Today’s webinar and slide presentation:

- Memorandum, technical paper, and child care service management guideline to support new child care funding formula and framework:
  http://faab.edu.gov.on.ca/CCMemos.htm

- Ministry of Education Website:
  http://www.edu.gov.on.ca/eng/

- Modernizing Child Care in Ontario: Sharing Conversations, Strengthening Partnerships, Working Together (Released June 2012):
  http://www.edu.gov.on.ca/childcare/Modernizing_Child_Care.pdf
Appendix: Child Care Service Management Guideline Updates

- **Fee Subsidy:**
  - Remains largely the same as former guideline.

- **Special Needs Resourcing (SNR):**
  - Updated to clarify staff qualification recommendations and eligible expenditures. Expenditures will be reported by type of activity undertaken, including one or more of the following: training, tools and resources; consultant services; intensive supports; and supplemental staffing.

- **Pay Equity Memorandum of Settlement:**
  - CMSMs/DSSABs will be required to continue to provide funding to child care operators as communicated by the province with respect to the 2003 pay equity memorandum of settlement.

- **Transformation:**
  - Same as ‘Capacity Funding to Support Transformation’ in July 2012.
  - CMSMs/DSSABs can transfer funding from Transformation to spend on capital retrofits.

- **Small Water Works (SWW):**
  - Same usage and application process.
  - For CMSMs/DSSABs that receive an SWW allocation for 2013, no funding may be transferred out.
  - Funds can be used from other allocations to increase SWW expense, whether an allocation was received in 2013 or not.

- **Repairs and Maintenance:**
  - Same usage as “Health and Safety” in 2012.
  - Full flexibility; no longer $1000 per program limit.

- **Capital Retrofits:**
  - Same as in former Transition guideline.

- **Service Planning:**
  - The ministry will be seeking advice from CMSMs/DSSABs regarding the 2013 service planning process as well as information about how the new funding changes are being applied locally.
Ask a question