

**Ministry of Education**

**Child Care Funding Formula:  
Technical Paper 2015**

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## Introduction

The Ministry of Education is committed to a vision for the early years where Ontario's children and families are well supported by a system of responsive, high-quality, accessible, and increasingly integrated early years programs and services that contribute to healthy child development today and a stronger future tomorrow.

A key step in modernizing the child care sector was the introduction of a funding formula and framework in 2013. Now in its third year, the child care funding formula and framework provides CMSMs and DSSABs with flexibility to determine how to allocate child care funding to best meet the needs of children, families and child care operators within their community.

The child care funding formula is evidence-based relying on publicly available data to drive an equitable funding allocation for municipal child care service managers across the province. In 2015, the ministry has introduced funding benchmarks to further support transparency of the formula. Please see section pages 5-7 for details.

## Background

The objective of the child care funding formula was to modernize the approach to the provision of operating funding. The child care funding formula better meets the needs of child care operators and parents by allowing for a more equitable approach to funding that responds to demand for services, helps stabilize fees, and improves reliability. Under the terms of the Memorandum of Understanding between the Association of Municipalities of Ontario (AMO) and the Province of Ontario, and the Toronto-Ontario Cooperation and Consultation Agreement (TOCCA), the Ministry of Education along with municipal members of the Child Care Funding Formula Working Group (CCFFWG) endorsed the following broad objectives to guide the development of the funding formula:

- **Efficiency:** Informed by evidence and experience to address inequities in historical funding allocations, while distributing and simplifying funding to maximize its impact on the sector;
- **Responsiveness:** Based on the most up-to-date data available, adjusts to changes in the sector, and responds to the need for services;
- **Predictable and Transparent:** Service managers can expect a measure of continuity in funding, subject to annual updates of publicly available data;
- **Quality:** Support consistency in approach, access for families and provides high quality programs for children; and

- **Accountability:** Use enveloping and reporting requirements which support funding objectives.

## **Purpose**

To support greater transparency for system users, this paper contains details of the underlying formulae and criteria used in calculating the 2015 child care funding allocations.

The child care funding formula is based on reliable data elements which are publicly available, such as Low Income Cut Off (LICO), Population of Ontario, and Statistics Canada measures of the Level of Education Attainment and Knowledge of either Official Language.

# Overview of the Funding Formula

## Components and Allocations

The funding formula includes three main allocation components: Core Services Delivery, Special Purpose, and Capital. The majority of the funding has been allocated via the Core Services Delivery allocation and is intended to provide stable operating funding to the child care sector. In response to the unique costs of providing services in certain areas and to certain target populations, a special purpose allocation is used to target funding to those areas. The Capital allocation is provided to assist CMSMs and DSSABs in maintaining and improving child care infrastructure.

## Funding in 2015

Categories	Sub - Categories	Amount (\$ Millions)
Core Services Delivery Allocation		\$808.0
Special Purpose	<i>Remote/Rural</i>	\$30.9
	<i>Language</i>	\$56.1
	<i>FDK Transition</i>	\$48.9
	<i>Transformation</i>	\$4.5
	<i>Cost of Living</i>	\$33.7
	<i>Aboriginal</i>	\$2.2
	<i>Capacity Building</i>	\$5.6
	<i>Repairs and Maintenance</i>	\$2.3
	<i>Utilization</i>	\$33.5
Small Water Works		\$0.3
Territory without Municipal Organization		\$1.3
Capital	<i>Retrofit</i>	\$6.7
Total <sup>1</sup>		\$1,033.9 <sup>2</sup>

## Structure

There are eleven components in the child care funding formula (this excludes Small Water Works and Territory Without Municipal Organization which are allocated on a claims-basis).

<sup>1</sup> 2015 funding for Small Water Works is based on 2014 allocations. Funding for Territory without Municipal Organization was allocated based on expense information from 2014 revised estimates and/or 2013 financial statements.

<sup>2</sup> Please note that total may not sum due to rounding.

Allocations for all components besides the Utilization and Capping Adjustments are based on fourteen separate data elements (e.g. Ontario's 3.9 to 12 year old population, average monthly Ontario Works caseload, and population with no diploma or degree).

The same data element may be used in the calculation of one or more components. For example, the number of children aged 0 to 3.8 years old is used in Core Service Delivery, FDK Transition and Capacity Building.

More than one data element may be used to calculate a single component. For example, the Language component is based on: 1) the population with no knowledge of either official language and 2) the population who speak French at home.

### **Calculation of Allocations**

The funding formula data elements are used to calculate each CMSM's/DSSAB's share of funding in each component. To illustrate, the Transformation component is entirely based on the CMSM's/DSSAB's population of four and five year olds:

- A CMSM or DSSAB has 3,201 four and five year olds;
- There are 290,908 four and five year olds in Ontario;
- The CMSM/DSSAB would receive 1.10 percent ( $3,201/290,908$ ) of the \$4,500,000 allocated to the Transformation component or \$49,516. This method has been replaced in 2015 with benchmarks, which are described in the next section.

In the 2013 and 2014 iterations of the Child Care Funding Formula (CCFF), the ministry used this percentage calculation methodology (also known as proportional distribution) to determine each CMSM's/DSSAB's share of child care funding. As noted above, a CMSM's/DSSAB's funding for the Transformation component is based on their share of the province's 4 and 5 year old population. In 2013 and 2014, each CMSM's/DSSAB's allocation was based on its percentage share *relative to the percentage share of the other forty-six CMSMs/DSSABs*.

Each year, when the ministry updates the funding formula data, there are small, redistributive changes in each CMSM's/DSSAB's share of the funding formula data elements due to changes in demographic data. For example, if the number of four and five year olds in the previous example remained constant while the provincial total rose by 5,000 children, the CMSM/DSSAB would receive 1.08 percent ( $3,201/295,908$ ) of the Transformation component or \$48,679.



In 2013 and 2014, it was difficult for CMSMs/DSSABs to predict future funding since they were unable to determine their percentage share of the various data elements in the CCFF.

## Updates to the 2015 Child Care Funding Formula

### Calculation of Benchmarks

The Child Care Funding Formula (CCFF) and framework was based on broad objectives – such as efficiency, responsiveness, predictability and transparency, quality, and accountability. CMSMs and DSSABs have noted that in order to support multi-year service planning the current CCFF needs to be more predictable and transparent. In response to this feedback the Ministry of Education is introducing benchmarks for each of the existing data elements comprising the child care funding formula. The benchmarks utilized in the calculation of the 2015 allocations are listed in Appendix 1.

In a benchmark-based model, allocations for a funding formula's components are based on, for example, a "dollar per child" value determined by the ministry. Under a benchmark-based funding model:

- if the number of children increases in a particular region, the funding received also increases, but it does so *independently* of the other 46 CMSMs and DSSABs in the province;
- if the ministry receives additional child care funding, it will be able to raise the funding formula benchmarks or create a new grant line;
- if demographic changes creates a pressure on the ministry's child care budget, the benchmarks may decrease as the formula is not an open ended entitlement.

The 2015 CCFF benchmarks are based on 2014 allocations and underlying data. Once the benchmarks were established, the new investment of \$44.5 million in 2015 in child care funding was first used to address changes in demographic data, followed by an overall benchmark increase of approximately 4%.

Benchmarks have always been implicit in the CCFF. Benchmarks provide a different way of performing the same calculations. For example (using the data from the previous page):

- The ministry calculated the benchmark for four and five year olds by dividing the funding (\$4.5M) by the total number of four and five year olds in the province (290,908) to arrive at a benchmark of \$15.47 per child;
- The CMSM/DSSAB in the example receives \$15.47 for each of their 3,201 four and five year olds, or \$49,516 (the same allocation as they would have been entitled to under the previous structure);

- The benchmark structure fixes the problem illustrated in the example above where the provincial total increased and the CMSM/DSSAB's share of the allocation dropped – under a benchmark structure, the CMSM/DSSAB would receive the same allocation.

Due to the introduction of benchmarks, CMSM and DSSAB allocations in 2015 and onward will no longer be based on percentage shares relative to the percentage share of the other forty-six CMSMs/DSSABs, instead they will be based purely on demographic data and the funding benchmarks.

### Increased Predictability

One of the advantages of the new benchmark structure is that it will be easier for CMSMs and DSSABs to predict future funding. Given the data element benchmarks, service managers will be able to use demographic trends in their communities to more readily estimate funding in upcoming years (e.g. if child population is decreasing, benchmarks can be used to determine the potential impact on child care allocations).

### Data Element Updates

The following table lists the data elements updated for 2015 allocations:

Data Element	Source
LICO (Low income cut-off) <sup>3</sup>	2011 Survey of Household Spending
Rural and Small Community Measure (RSCM)	Ministry of Finance
Cost of Living	Ministry of Finance
0-12 year olds living in large municipalities	Ministry of Finance
Weighted number of 0-3.8 year olds	Ministry of Finance
Number of 3.9-12 year olds	Ministry of Finance
Number of 4 and 5 year olds	Ministry of Finance
Number of un-weighted 0-12 year olds	Ministry of Finance

**Note:** Ministry of Finance child population projections are based on Statistics Canada's 2011 Census data

### 5-Tier Rural and Small Community Measure (RSCM)

In place since 2013, the RSCM is based on population concentration in Ontario. This measure was developed by the Ministry of Finance to help inform the Ontario Municipal Partnership Fund (OMPF). The Ministry of Finance divides municipalities into small geographic areas and classifies them as either rural, small community or urban based

<sup>3</sup> Changes to LICO data (2006 to 2011 data) will be phased in over a 4 year period

on their population density per square kilometre (e.g. population density less than 400/km).

The ministry has refined the application of RSCM data by adding an additional two tiers to better recognize the variations in costs of providing child care services in northern and rural areas with highly dispersed populations. The RSCM measure now has five tiers based on rural and total population, rather than three.

The 5-Tier approach to the RSCM measure more accurately captures the increased costs of delivering child care in communities with highly dispersed populations. Table A summarizes the layout of the 5-Tier RSCM. It is important to note that while your CMSM/DSSAB may not receive any funding through the RSCM that the funding formula is comprised of many different data elements to capture the unique needs of all communities across the province (e.g. cost of living, language etc.).

Table A: CMSM and DSSAB membership in the 5-Tier RSCM

Tier	Description	Count	Members	Benchmark
1	Northern & 100% Rural	3	District of Timiskaming SSAB	67.84
			Manitoulin-Sudbury DSSAB	
			Rainy River DSSAB	
2	Northern & less than 100% Rural	8	City of Greater Sudbury	46.71
			Algoma DSAB	
			District of Cochrane SSAB	
			District of Nipissing SSAB	
			District of Parry Sound SSAB	
			District of Sault Ste Marie SSAB	
			Kenora DSB	
Thunder Bay DSSAB				
3	Fewer than 300,000 total population and 100% Rural	4	County of Bruce	10.09
			County of Huron	
			County of Lanark	
			District Municipality of Muskoka	
4	Fewer than 300,000 total population and < 100% Rural	20	City of Brantford	6.40
			City of Cornwall	
			City of Kawartha Lakes	
			City of Kingston	
			City of Peterborough	
			City of St. Thomas	

Tier	Description	Count	Members	Benchmark
			City of Stratford County of Dufferin County of Grey County of Hastings County of Lambton County of Lennox & Addington County of Northumberland County of Oxford County of Renfrew County of Wellington Municipality of Chatham-Kent Norfolk County United Counties of Leeds & Grenville United Counties of Prescott & Russell	
5	More than 300,000 total population	12	City of Hamilton City of London City of Ottawa City of Toronto City of Windsor County of Simcoe Regional Municipality of Durham Regional Municipality of Halton Regional Municipality of Niagara Regional Municipality of Peel Regional Municipality of Waterloo Regional Municipality of York	0.00
<b>Total</b>		<b>47</b>		

## Core Services Delivery Allocation

The largest portion of funding – \$808 million – is flowed through the Core Services Delivery allocation. The purpose of the Core Services Delivery allocation is 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.

The data elements included in calculating the distribution of this allocation were selected because they are reliable and transparent measures of child care service demand and fee subsidy need:

- Statistics Canada’s Low Income Cut Off (LICO) data which is an income threshold below which a family will likely devote a larger share of its income on the necessities of food, shelter and clothing than the average family;
- Ministry of Finance population estimate data for children 0 to 3.8 years (weighted) and for children 3.9 to 12 years old. The weighting is based on the staffing ratios outlined in the *Day Nurseries Act* based on age groups;
- Statistics Canada’s Level of Education Attainment data which measures the percentage of the population with no certificate, diploma or degree; and
- Ontario Works (OW) caseload data provided by the Ministry of Community and Social Services.

Each CMSM’s and DSSAB’s allocation is calculated using the benchmark for the Core Services Delivery data elements.

Core Services Delivery Allocation Data Elements	2015 Benchmark
Low Income Cut Off (LICO) data	\$ 1877.15 per family
0 to 3.8 years (weighted) <sup>4</sup>	\$ 1196.72 per child
3.9 to 12 years	\$ 37.89 per child

### Population Data – total

Core Services Delivery Allocation Data Elements	2015 Benchmark
Level of Education Attainment	\$ 20.61 per person
Ontario Works Caseload	\$ 144.82 per case

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<sup>4</sup> Weighting is based on staffing ratios outlined in the Day Nurseries Act based on age groups. Please see page 12 for DNA requirements.

## **Special Purpose Allocation**

In recognition of the variable costs associated with providing child care across the province and in response to feedback received from the CCFFWG, the child care funding formula includes a Special Purpose allocation to supplement the Core Services Delivery allocation. This funding reflects the unique local and regional costs of providing services in certain areas and to certain target populations. The Special Purpose allocation includes the following components and adjustments:

- Rural/Remote Component – \$30.9 million,
- Language Component – \$56.1 million,
- FDK transition Component – \$48.9 million,
- Transformation Component – \$4.5 million,
- Cost of Living Component – \$33.7 million,
- Aboriginal Component – \$2.2 million,
- Capacity Building Component – \$5.6 million,
- Repairs and Maintenance Component - \$2.3 million, and
- Utilization Adjustment – \$33.5 million.
- Capping Adjustment

The Special Purpose allocation totals \$217.1 million in 2015.

### **Rural/Remote Component**

The Rural/Remote Component recognizes the increased costs of providing child care services in rural areas and large geographic areas with highly dispersed populations. This component is based on two data measures:

- Population density - determines the population dispersion rate within CMSMs and DSAABs. The more dispersed the population, the more costly it is for service providers to serve those areas. This measure is calculated by:
  - Land mass divided by total population times the benchmark,
- The Rural and Small Community Measure (RSCM) - determines the proportion of the population that resides in rural areas or small communities.

The Rural/Remote Component funding totals \$30.9 million in 2015 and is based on the following data elements and benchmarks:

Remote/Rural Component Data Elements	2015 Benchmark
Population Density	\$ 2,986,241 per square km per person

### Rural and Small Community Measure

Remote/Rural Component Data Elements	2015 Benchmark
Northern & 100% Rural	\$ 67.84 per person
Northern & < 100% Rural	\$ 46.71 per person
<300,000 total population and 100% Rural	\$ 10.09 per person
<300,000 total population and < 100% Rural	\$ 6.40 per person
>300,000 total population	\$ 0.00 per person

### Language

This component recognizes the unique costs of providing child care services to those who speak French most often at home and to those who have no knowledge of either official language.

The population speaking French most often at home data element divides CMSMs and DSSABs into 3 tiers:

- CMSMs and DSSABs with populations greater than 150,000 that have more than five percent of the provincial total of those identified as speaking French most often at home are multiplied by a factor of two; and
- CMSMs and DSSABs with populations greater than 150,000 that have more than twenty percent of their population identified as speaking French most often at home are scaled by a factor of three.
- CMSMs and DSSABs with populations less than 150,000

The Language Component funding totals \$56.1 million in 2015 and is based on the following data elements and benchmarks:

Language Component Data Elements	2015 Benchmark
No knowledge of either official language	\$ 121.97 per person

### Those that speak French most often at home



Language Component Data Elements	2015 Benchmark
between 0 and 4.9%	\$ 23.36 per person
between 5.0% and 19.99% <sup>5</sup>	\$ 46.72 per person
20% or more <sup>5</sup>	\$ 70.08 per person

## Full-Day Kindergarten Transition Component

Full-day kindergarten (FDK) Transition funding is made available to support the viability of the system during the significant sector transformation which has occurred during the implementation of full-day kindergarten. FDK Transition funding will support child care operators as they convert their programs to serve younger age groups and recognizes the unique costs of providing child care to younger age groups.

Funding is allocated by using the number of weighted 0 to 3.8 year olds in the province. Weighting refers to expressing the demographic data in terms of the staffing ratios listed below from the *Day Nurseries Act*.

The FDK Transition Component funding totals \$48.9 million in 2015 and is based on the following data element and benchmark:

FDK Transition Component Data Elements	2015 Benchmark
0-3.8 year olds <sup>6</sup>	\$ 424.21 per staff for ratio

<i>Day Nurseries Act</i> – Staffing Ratios	Ratio of Employees to Children
Under 18 months of age	3 to 10
18 months of age and over up to and including 30 months of age	1 to 5
More than 30 months of age up to and including 5 years old	1 to 8
44 months of age or over and up to and including 67 months of age as of August 31 of the year	1 to 10
56 months of age or over and up to and including 67 months of age as of August 31 of the year	1 to 12
68 months of age or over as of August 31 of the year and up to and including 12 years of age	1 to 15

<sup>5</sup> Total population must also be greater than 150,000

<sup>6</sup> The weighting is based on the staffing ratios outlined in the *Day Nurseries Act* based on age groups

## Transformation Component

Transformation funding will support the re-engineering of the child care sector as it transitions to align with FDK. This funding supports the *Schools-First Child Care Capital Retrofit Policy* and the Retrofit Capital allocation as it provides for one-time costs for non-profit child care operators who are involved in business transformation activities and/or require business transformation supports or who are re-locating to newly renovated school-based sites.

Funding is allocated using the number of four and five year olds in the province. The Transformation Component funding totals \$4.5 million in 2015 and is based on the following data element and benchmark:

Transformation Component Data Elements	2015 Benchmark
4 and 5 year olds	\$ 15.47 per child

## Cost of Living Component

This component recognizes that there are higher costs of providing child care services in certain areas when compared to the provincial average. Funding is allocated based on:

- 0 to 12 child populations in large CMSMs/DSSABs (greater than 125,000), to capture the unique issues facing communities with large populations.
- Data from Statistics Canada's 2011 Survey of Household Spending (SHS), which is based on household expenditure estimates and population size.
- Factors were derived from the SHS data to determine a weighting of each CMSMs and DSSABs total population data based on the size of the area of residence.

The Cost of Living Component funding totals \$33.7 million in 2015 and is based on the following data elements and benchmarks:

## Household Spending Survey

Cost of Living Component Data Elements	2015 Benchmark
Population of 0 to 99,999	\$ 1.59 per person
Population of 100,000 to 249,000	\$ 1.73 per person
Population of 250,000 to 999,999	\$ 1.81 per person
Population of 1,000,000 and over	\$ 1.96 per person
0 to 12 year old population in communities with > 125,000 total population	\$ 9.42 per person

## Aboriginal Component

This component recognizes the unique costs of providing culturally appropriate child care services for those families identifying themselves as Aboriginal living off reserve<sup>7</sup>. Funding is allocated using Statistics Canada data on the proportion of Aboriginal children between the ages of zero to four with Aboriginal ancestry.

The Aboriginal Component funding totals \$2.2 million in 2015 and is based on the following data element and benchmark:

Aboriginal Component Data Element	2015 Benchmark
0-4 year olds with aboriginal ancestry	\$ 70.64 per child

## Capacity Building Component

This component aims to improve the provision of high quality child care by making funding available for professional development opportunities. Such programs align with the principles outlined in Ontario's new pedagogical framework *How Does Learning Happen* and supports the provision of environments and experiences that engage children in active, creative and meaningful exploration and learning.

Capacity Building funding totals \$5.6 million in 2015 and is based on the following data elements and benchmarks:

Capacity Building Component Data Elements	2015 Benchmark
0 to 3.8 years (weighted) <sup>8</sup>	\$ 16.17 per staff for ratio
3.9 to 12 years	\$ 2.72 per child

## Repairs and Maintenance

Repairs and Maintenance funding supports 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) as a result of issues with physical infrastructure/facilities. The intent of this funding is to strengthen the child care system as a whole to best meet the needs of children and families in the community.

The Repairs and Maintenance funding totals \$2.3 million in 2015 and is based on the following data elements and benchmarks:

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<sup>7</sup> Statistics Canada data collected in the 2011 National Household Survey

<sup>8</sup> The weighting is based on the staffing ratios outlined in the Day Nurseries Act based on age groups

Repairs and Maintenance Data Element	2015 Benchmark
4 and 5 year olds	\$ 6.33 per child
0 to 12 year olds	\$ 0.24 per child

**Utilization Adjustment**

The utilization adjustment was developed to assess funding need and demand for child care services using the level of voluntary CMSM and DSSAB contributions. Utilization funding encourages service managers to contribute more than their minimum cost share to support local child care service system needs.

The calculation for 2015 utilization adjustments uses 2013 financial statements data, specifically a CMSM's/DSSAB's over or under-contribution so that total utilization funding is directed to those CMSMs/DSSABs who exceeded their municipal cost share in 2013.

In 2015, utilization funding equals \$33.5 million which includes 50% of total under-spending by CMSMs/DSSABs province-wide in 2013. A CMSM's/DSSAB's utilization allocation equals its proportionate share of all utilization funding available and is calculated by:

1. Dividing a CMSM's/DSSAB's specific over-contribution in 2013<sup>9</sup> by the over-contributions of all CMSM/DSSAB's province-wide in 2013; and
2. Applying the ratio generated in the step above to the amount of total utilization funding available

For CMSMs/DSSABs that did not contribute their minimum cost share in 2013, utilization will result in decreased funding in 2015 as long as the CMSM's/DSSAB's allocation (before the utilization adjustment and capping adjustment) has increased. The utilization adjustment is based on subtracting one-half of a CMSM's/DSSAB's under-contribution by their total reduction in funding in 2015, compared to 2013.

As utilization is based on municipal contributions rather than demographic data a benchmark has not been established for this data element.

**Summary of Utilization Outcomes**

Whether a CMSM/DSSAB receives, contributes or neither receives nor contributes to utilization is based on two factors:

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<sup>9</sup> CMSMs/DSSABs that experience an increase in funding, in excess of their 2013 over contribution, are not eligible for utilization funding.

- Has the CMSM/DSSAB experienced an increase in funding over the prior year, and
- Has the CMSM/DSSAB over, under or met its cost share requirements in its most recently submitted financial statements to the Ministry (i.e. 2013 financial statements).

The table below summarizes how the utilization mechanism works:

<b>A</b> <b>Change in Funding 2015 vs. 2014</b>	<b>B</b> <b>2013 Over/Under Contribution</b>	<b>C</b> <b>Contribution to Utilization Pool Equals</b>	<b>D</b> <b>Utilization Funding</b>
Increase	Over contribution $\geq$ A	B - A	Receive share of utilization pool
Increase	Over contribution, but $<$ A	\$0	
Increase	Under contribution	50% of underspending	Contribute C to utilization pool
Decrease	Over contribution	B	Receive share of utilization pool
Decrease	Lose more than under contribution	\$0	
Decrease	Lose less than under contribution	50% of difference	Contribute C to utilization pool

### **Capping Adjustment**

In order to allow service system managers to adjust to their new evidence-based allocations, the ministry implemented a 10 percent cap for all CMSMs/DSSABs that saw a decrease in funding in comparison with their 2012 allocations.

There will be no changes to the capping mechanism in 2015. This means that in 2015, no CMSM's or DSSAB's funding has decreased by more than 10 percent, when compared to its 2012 funding allocation.

For those CMSMs/DSSABs that received funding from capping, the capping allocation is equal to:

- The difference between 90 percent of a CMSM/DSSAB's 2012 allocation minus their 2015 allocation (excluding their cap funding)

For those CMSMs/DSSABs that contribute to the capping mechanism because their 2015 allocation exceeds their 2012 allocation by more than ten percent, their capping contribution has been determined as follows:

1. Calculate the total amount of capping funding needed so that no CMSM/DSSAB allocation in 2015 decreases by more than ten percent compared to their 2012 allocation,
2. Subtract 110 percent of a CMSM's/DSSAB's 2012 allocation from its 2015 allocation (excluding their cap contribution),
3. Determine each CMSMs/DSSABs proportional contribution to funding the amount of capping funding needed in step one above by dividing the amount in step two by the total amount province-wide, and
4. Multiply the percentage generated in step 3 to the amount in step 1 to identify a CMSM/DSSAB's contribution to the capping mechanism.

### **Application of Capping Adjustment in 2015**

Applying the capping adjustment to 2015 allocations has resulted in the following:

- Thirty CMSMs/DSSABs contribute to the capping pool. Their contribution is proportional to the size of their funding increase.
- Thirteen CMSMs and DSSABs that do not gain or lose more than 10% of their funding compared to 2012 are exempt from the capping calculation (do not contribute to the capping pool).
- Four CMSMs/DSSABs remain capped in 2015 and therefore receive funding from the capping pool. The capping mechanism limits their losses to ten percent from 2012 funding levels (approximately \$13M in 2015).

## **Small Water Works and Territory without Municipal Organization**

### **Small Water Works**

The ministry provides funding to support small water works (\$0.3 million) to support costs related to small water systems for licensed child care centres (e.g. wells, septic systems).

CMSM/DSSAB small water works allocations are based on the 2014 funding allocations, as this funding is claims based.

### **Territory without Municipal Organization (TWOMO)**

The ministry provides funding to support territories without municipal organization (\$1.3 million). TWOMO funding only applies to DSSABs for territory without municipal organization (e.g. area of any municipality or First Nation) and is intended to help support the cost of child care services and service system administration provided in territory without municipal organization.

As TWOMO funding is claims based, DSSAB entitlement will equal reported expenses. DSSAB allocations are based on the higher of reported expenses from either 2014 revised estimates or 2013 financial statements as this funding is claims based.

# Capital Allocation

## Capital Retrofits

Capital Retrofit funding will allow operators to re-purpose existing community child care Junior Kindergarten/Senior Kindergarten spaces to serve younger age groups as four and five year olds enrol in full-day kindergarten (FDK). Minor capital funding helps transition the child care sector as it adapts to the implementation of FDK.

The Capital Retrofit funding totals \$6.7 million in 2015 and is based on the following data elements and benchmarks:

Capital Retrofit Data Element	2015 Benchmark
4 and 5 year olds	\$ 18.32 per child
0 to 12 year olds	\$ 0.70 per child



## **Special Needs Resources and Administration Expenditure Benchmarks**

Based on an analysis of prior year expenditures the ministry has developed expenditure benchmarks to ensure spending in administration and Special Needs Resourcing (SNR) is maintained at reasonable levels.

- The expenditure benchmark for administration shall not represent an amount greater than 10 percent of any CMSMs/DSSABs 2015 total allocation minus the TWOMO allocation.
- The expenditure benchmark for Special Needs Resourcing shall not represent an amount less than 4.1 percent<sup>10</sup> of any CMSMs/DSSABs 2015 allocation Excluding TWOMO funding.

The ministry continues to monitor expenditures for these two program categories.

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<sup>10</sup> CMSMs/DSSABs can spend a greater portion of their allocation on SNR depending on local need.

## Cost Share Requirements

The child care funding formula streamlines cost sharing and makes cost sharing provisions simpler and easier to understand. The cost share amounts have been calculated such that no CMSM/DSSAB will see an increase to their minimum cost share amount from 2014, even if their allocation will be increasing in 2015. Where funding in 2015 is decreasing, cost share requirements will be reduced in proportion to the decrease in funding.

Where there is a reduction in funding under the child care formula CMSMs/DSSABs will see their cost share requirements reduced as follows:

- A 50/50 cost share equal to the CMSM/DSSAB's 2014 administration allocation which was previously cost shared;
- An 80/20 amount equal to all the detail codes previously cost shared at 80/20 such that the total cost share requirement does not exceed the total 2014 minimum cost share amount.
- The reduction in the cost share requirement equals the percentage change in 2015 funding compared to 2014 multiplied by CMSM's/DSSAB's 2014 minimum cost share amount.

## **Reporting and Accountability**

### **Reporting Requirements**

Financial reporting, monitoring and auditing are important elements of an overall accountability framework. The ministry has in place simplified reporting requirements that allow better matching of expense reporting to program costs to ensure accountability and transparency across the sector.

CMSMs and DSSABs are required to provide the ministry with detailed financial information on expenditures. Reporting requirements and timing are outlined in the *2015 Ontario Child Care Service Management and Funding Guideline*.

### **2015 Ontario Child Care Service Management and Funding Guideline**

The *2015 Child Care Service Management and Funding Guideline* was provided to CMSMs/DSSABs as part of the January 2015 service agreement package. The guideline is the funding framework which outlines the parameters of child care funding expenditures in Ontario.

### **Further Information**

If you have any questions about the information in this paper, please contact your Ministry of Education Financial Analyst. If you have any questions regarding the *2015 Ontario Child Care Service Management and Funding Guideline* please contact your Child Care Advisor. Both the guideline and Technical Paper are posted on the FAAB website.

## Appendix 1

### 2015 Child Care Funding Formula Benchmarks

#### Core data categories

Funding Formula Benchmarks	Amount	Per
LICO Economic families with low income after tax	1,877.15	per family
Weighted % 0-3.8 population	1,196.72	per child
% of 3.9-12 population	37.89	per child
No certificate, diploma or degree	20.61	per person
Average Ontario Works caseload	144.82	per case

#### Capital data categories

Funding Formula Benchmarks	Amount	Per
% of 4 and 5 year old population	24.65	per child
% of un-weighted 0-12 year old population	0.94	per child

#### Rural data categories

Funding Formula Benchmarks	Amount	Per		
Population density	2,986,241	per square km per person		
	Tier			
Rural and small community measure	1	Northern rural	67.84	per rural person
	2	Northern non-rural	46.71	per rural person
	3	Small rural regions	10.09	per rural person
	4	Small non-rural regions	6.40	per rural person
	5	Large regions	-	per rural person

#### COLA data categories

Funding Formula Benchmarks	Amount	Per		
% of un-weighted 0-12 years living in large municipalities	9.42	per person		
	Tier			
Survey of household spending	1	0 to 99,999	1.59	per person

Funding Formula Benchmarks			Amount	Per
	2	100,000 to 249,999	1.73	per person
	3	250,000 to 999,999	1.81	per person
	4	1,000,000 and over	1.96	per person

**FDK transition data categories**

Funding Formula Benchmarks	Amount	Per
Weighted % 0-3.8 population	424.21	per child

**Transformation data categories**

Funding Formula Benchmarks	Amount	Per
% of 4 and 5 year old population	15.47	per child

**Language data categories**

Funding Formula Benchmarks			Amount	Per
No knowledge of official languages			121.97	per person
	Tier			
Population speaking French at home	1	Other	23.36	per person
	2	Population > 150K & French @ home > 5% but <20%	46.72	per person
	3	Population > 150K & French @ home > 20%	70.08	per person

**Aboriginal data categories**

Funding Formula Benchmarks	Amount	Per
% of total 0-4 population with aboriginal ancestry	70.64	per child

**Quality data categories**

Funding Formula Benchmarks	Amount	Per
Weighted % 0-3.8 population	16.17	per child
% of 3.9-12 population	2.72	per child

## Abbreviations

<b>Abbreviation</b>	<b>Stands for</b>
CCFF	Child Care Funding Formula
CCFFWG	Child Care Funding Formula Working Group
CMSM	Consolidated Municipal Service Managers DNA <i>Day Nurseries Act</i>
DSSAB	District Social Services Administration Board
FDK	Full-Day Kindergarten
LICO	Low Income Cut-Off
OMPF	Ontario Municipal Partnership Fund
OW	Ontario Works
RSCM	Rural and Small Community Measure
SNR	Special Needs Resources
SWW	Small Water Works
TWOMO	Territory without Municipal Organization