



March 2009

Licensed Child Care Centre Funding Issues

This report is a brief summary of the funding problems which impact on child care centres funded by the Manitoulin-Sudbury District Social Services Administration Board (DSSAB).

The report begins with an identification of the program components and then details the funding streams. The report summarizes the province wide issues and some local impacts.

The Programs

The following are the major program activities funded as part of the child care envelope:

Licensed Child Care

Licensed, or regulated care, is child care licensed under the Day Nurseries Act (DNA) by the Ministry of Children and Youth Services (MCYS).

The Act establishes a host of minimum standards related to such matters as physical space, staff qualifications, child to staff ratio, health and safety, nutrition, and basic programming which the operators of day nurseries and private-home day care agencies must meet to be licensed by the province. These standards are in place to ensure the safety and quality of care for children in licensed child care settings.

A license to operate a day nursery is required from the Province when care is provided to more than five children who are not of common parentage and less than 10 years of age. A license is also required for private-home day care operations. Under the Day Nurseries Act, the Ministry (MCYS) licenses and regulates day nurseries and private-home day care agencies. Licensed centre-based care is provided in a variety of physical settings. Licensed home-based child care is monitored by agencies licensed by MCYS. Providers are allowed to care for up to five children (less than 12 years of age) in addition to their own. Home child care agencies train and support home child care providers. These agencies are required to visit and inspect each licensed home at least once every three months.

Ontario Works Formal Child Care

Participants in Employment Assistance or Community Placement activities under the Ontario Works Act, 1997 may be eligible to receive funding for the care of a child less than 12 years of age, or under 18 years of age for a child with a developmental or physical handicap. Ontario Works participants may receive assistance up to the per diem established for licensed care, and up to established ceilings for informal care. Child care costs for children with Special Needs may also be reimbursed.

Subsidized child care is provided to support the employment, training and educational needs of parents. Ontario Works participants making the transfer to employment and families most in need are a priority group for child care services.

Ontario Works child care funding can be used to support both licensed and unlicensed child care.

Existing Provider Funding System and Funding Issues

The DSSAB provides financial supports to Child Care providers through a variety of funding streams, each of which is below explained along with the financial issues related to the funding stream in question.

Fee Subsidies: These subsidies assist eligible parents with the cost of the daily fees associated to the licensed child care provided to their child. They may also cover the costs of school-age children enrolled in recreation programs.

Once the financial eligibility of the parent(s) has been determined based on an income test, subsidies are paid directly to the service providers.

The subsidy is the difference between the licensed child care provider's established daily fee and the portion of said fee which the "income test" has determined the parent has the means to pay. The actual subsidy that the DSSAB pays is attendance based and is driven by an attendance reporting system. Reimbursement to the provider occurs monthly based on the attendance reports.

Fee Subsidy Issues

The current fee subsidy method of funding child care centres fails to recognize the fixed costs of operating these facilities.

Fee Subsidy funding is solely driven by actual levels of occupancy.

While Ministry licensing requirements demand a minimum level of staffing and a standard physical environment regardless of the number of children served, the fact that a Centre's funding is solely based on the actual number of children in attendance at any given time makes it very difficult for operators to keep their doors open.

While all operators face uncertain enrollments (e.g. during summer months when parents take their children on vacation) that affect their financial viability, enrollment uncertainties are particularly problematic in Northern Ontario's sparsely populated rural and remote communities where there is no access to public transportation, where seasonal businesses are many and where single resource communities can see the demand for licensed child care change significantly from one month to the next. Suffice it to say that these realities often times test the financial viability and resilience of non-profit service providers.

While the cyclical and/or seasonal nature of many Northern Ontario industries and businesses accentuates the need for licensed child care when parents have the

opportunity to work, the fact that there is no minimum base funding guaranteed to operators means they are totally dependent on what often proves to be the impossible task of keeping their doors open and meeting their licensing standards obligations with the fees paid by the limited few who do attend during times of reduced demand.

Licensed child care operators in many of Northern Ontario's more rural and small town communities find themselves having to close their doors as a result of the bust-boom realities of the businesses in their communities.

While the early learning advantages of licensed child care are well documented and while the realities of the North are well known and while the cost of trying to start up or reopen a child care operation can be very high - and in fact higher than providing it a minimum core fund to keep its doors open and its qualified personnel available during the predictable low periods, the situation is not one that the Province has chosen to address.

The Fee Subsidy envelope was set in 1999 at the time of the Local Services Realignment and that is that. The province wide allocation of Fee Subsidy funding is not to our knowledge based on any statistical basis.

Ontario Works Child Care: This program is available only to Ontario Works participants. Like Fee Subsidy, the payments are made directly to the provider on behalf of the parent(s). Ontario Works clients are not subject to an income test. Funding is also attendance based and is driven by an attendance reporting system.

Issues

The issues affecting the Fee Subsidy system are the same for Ontario Works Child Care. In addition this fund has not been adjusted as employable caseloads have changed.

Wage Subsidies:

These "wage Subsidy" payments were designed to enhance the salaries and benefits of staff employed in licensed child care centres, licensed private-home day care operations, family resource centres, and agencies that support children with special needs. The payments under this program are to the providers who then must pass the subsidy on to their individual staff members.

Wage Subsidy Issues

The need to raise the compensation level for persons working in child care centres is readily apparent. A significant number of Early Childhood Education (ECE) graduates leave the field simply because compensation is so low. While the province introduced the existing wage subsidy model to address the matter, it fails to do so. It does not provide enough funding to make enough of a difference. Despite the existence of this

wage subsidy program, there continues to be high turnover in child care centres and a continuous demand for the qualified staff that the province's DNA standards demand.

Wage subsidy is based on a formula which theoretically allows payments based on the number of Full Time Equivalents (FTE) employed with a particular provider. That said; the factual reality is that Wage Subsidy envelope is capped by the Ministry. Thus when the formula is applied to all operators there may or may not be enough money to pay the amounts required under the formula or there may not be. The Wage subsidy funding allocation is not increased as new providers enter the market or if existing providers expand. The shortfall in the funding envelope issue is normally resolved locally by either the DSSAB spreading the allocation over all providers in an equitable fashion or by denying any funding to new providers. In this jurisdiction, the DSSAB spreads the allocation over all providers in an equitable fashion.

Special Needs Resourcing (SNR): This funding stream provides funding for staff, equipment, supplies or services needed to support the inclusion of children with special needs in licensed child care settings.

SNR Issues

The level of funding for this essential service was set at the time of the LSR downloads in 1999 and has not been adjusted since.

The funding amount represented the funding available prior to LSR and was not based on any province wide allocation model.

The DSSAB manages this funding by flowing the monies under a service contract to **the City of Greater Sudbury based Child & Family Centre**. This organization provides training and resources to child care providers across both of DSSAB's two Districts. This type of contract model is common among DSSABs as there are insufficient funds to have individual Special Needs Resource consultants available in each child care centre.

The Ministry allocation for the DSSAB jurisdiction is \$92,825. Like most jurisdictions this is far below the amount needed to fund even a basic program. Like other jurisdictions, the DSSAB supplements this funding through the (federal government) Best Start allocation the province has made available to us (\$118,675 in 2009/10). This funding is not secure as the Best Start Funding is set to end March 31, 2010.

Family Resource Centres (FRC): These centres provide a range of family supports and resources to caregivers to enhance the quality of care provided to children in both formal and informal child care settings as well as direction to parents seeking child development and care information. FRC's provide services such as drop-in programs

and referrals. Family Resource Centres (FRCs) were normally run by child care operators. Responsibility for the management and 20% funding of FRCs was downloaded to municipal service managers in 1999.

There are only two FRCs funded in our DSSAB's geographic jurisdiction - the one in our Northern region (Chapleau) and the other on Manitoulin. Both of these FRCs were part of the LSR transfer and we have never received any additional allocation for either the LaCloche or Sudbury East regions.

A few years later the province introduced the presence of a 100% funded Ontario Early Years Centre (OEYC) in each of its political ridings. The province decided to see itself responsible for the management of these OEYCs.

The two FRCs that were intended to serve parts of our DSSAB's jurisdiction were the Algoma-Manitoulin riding OEYC situated in Wawa and the Nickel Belt riding OEYC situated in the City of Greater Sudbury's Walden community.

While the province initially refuted the claim of our DSSAB and others that FRCs and OEYCs were one and the same in function and purpose, the province has now come to indicate such is indeed the case.

With the introduction of OEYCs some municipal service managers ceased to continue to fund their 20% share of the cost of Family Resource Centres if OEYCs are 100% provincially funded.

The Manitoulin-Sudbury DSSAB continues to provide its two FRCs the 20% funding they have been receiving since the time of divestment/download to the DSSAB. The funding levels have however been locked at the amounts in place at the time of LSR (1999)

Family Resource Centre Issues

The Provincial-Municipal Fiscal Service Delivery Review (PMFSDR) Report speaks to the short term objective of moving the child care/children's services and programs listed (Ontario Early Years Centres, Family Resource Centres, Family Literacy Centres, Special Needs Resources, Best Start, and the range of Child Care funding components - fee subsidies, wage subsidies) into "a single program".

As a result of same, and as a result of our DSSAB's concerns over wasted duplication of costs and efforts during these difficult economic times, the DSSAB, in a November 2008 letter to the Minister of Children and Youth Services (MCYS) has asked to meet with her regarding:

- i) **Our difficulty in appreciating why our DSSAB should continue to fund a 20% share of our FRCs when OEYCS are 100% funded when the province contends they are one and the same?;**

- ii) Our difficulty in appreciating why OEYCs are service managed by the MCYS Regional Office when FRCs are service managed by the DSSAB when the province contends they are one and the same?; and
- iii) Our DSSAB's continued belief that our jurisdiction should have at least one fully funded OEYC committed to this jurisdiction or at least a portion of the budget of the two fully funded OEYCs which cross our boundaries committed to the communities within our service jurisdiction that they are mandated to serve.

Health and Safety Grants: These are one time grants which can be used to completed capital repairs and renovations to child care centres.

Health & Safety Funding Issues

These grants are only available if the provincially set Fee Subsidy funding envelope has been under spent. If Fee Subsidy is fully utilized then there are no funds for needed repairs or renovations. Perversely, if there is strong local support and use of formal child care, then there are fewer funds available for capital repairs.

The present funding model does not provide direct capital funding to meet health and safety concerns. Unlike non-profit housing providers, child care providers have no system of capital planning, capital reserves benchmarks or centralized capital reserve investing. Capital needs are met on a reactive crisis / emergency basis but only if there is unspent Fee Subsidy funds available.

Funding Problems Summary

Although each of the above six funding streams tries to meet a specific need, the total funding envelope is insufficient to ensure the viability of all of the operators.

Each funding stream has built in limitations and in some cases mind numbing complexity. This complexity places an unnecessary administrative burden on the providers and on the DSSAB.

Despite the complexity and multiple funding streams the system does not provide an adequate funding base for sustainable operations.

The following is a listing of the fifteen MCYS Early Learning and Child Care funding streams.

| Detail Code | Service Name(s) Detail Code Name(s) |
|-------------|--|
| A371 | Child Care Delivery Agent Fee Subsidy (DNA) |
| A400 | Ontario Works Child Care Formal (Licensed) |
| A401 | Ontario Works Child Care Informal |
| A390 | Child Care Delivery Agent Wage Subsidy Non-profit |
| A393 | Delivery Agents- Pay Equity Union Settlement |
| A376 | Child Care Delivery Agent Special Needs Resourcing |
| A386 | Child Care Delivery Agent Resource Centres |
| A380 | Child Care Administration |
| A431 | ELCC - Wage Subsidy Non Profit |
| A425 | ELCC Administration |
| A661 | Best Start - Operating |
| A446 | Wage Improvement Non-Profit |
| A447 | Best Start Planning |
| A375 | Repairs & Maintenance Child Care |
| A663 | ELCD 100% Child Care Fee Subsidy |