

## Request for Decision

### Child Care System Review-Presentation and Recommendations

Presented To: Community Services Committee

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### Recommendation

WHEREAS the Ministry of Education, in 2012 changed the funding formula for child care across the Province of Ontario, resulting in a potential funding reduction of \$5.4 million in Greater Sudbury (\$1.8M cut in 2013 and \$3.6M potential cut in 2016); and

WHEREAS, in June 2013, Council requested a Child Care System Review to recommend changes to the child care system, to plan for future funding reductions in 2016; and

WHEREAS Children Services has led a community process in partnership with all child care operators and school boards, and has received unanimous endorsement of the recommended changes from that group of partners;

THEREFORE BE IT RESOLVED THAT the City of Greater Sudbury authorize the proposed changes to the child care system outlined in the report dated June 4, 2014 from the General Manager of Community Development regarding Child Care System Review related to the Child Care Funding Allocation Formula, the Redistribution of Licensed Child Care Spaces, the Operating Grant Formula, the Changes to Child Care Rates, and the Direct Operation of Junior Citizens Day Care; and

THAT the City of Greater Sudbury revise Child Care funding agreements with community Child Care operators to reflect these changes; and

THAT a detailed transition plan to transfer directly operated services (Junior Citizens Day Care) to non-profit child care providers, be brought back to Council for approval before December 2015.

### Finance Implications

In 2016 there will be a potential \$3.6 Million reduction of grant funding, however, this will not translate into a tax levy reduction as the new Childcare funding allocation model requires a minimum level of municipal contributions that the City currently provides.

#### Signed By

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As previously reported the City has received mitigation funding to be used to assist in this transition.

## **Background**

In 2012, the Ministry of Education announced a new Provincial Funding Reallocation which included a \$1.8 million cut to the City of Greater Sudbury's Children Services Budget for 2013, and projected a further potential budget reduction of up to \$4.6 million in the future. In 2014, Greater Sudbury's Provincial allocation was increased by \$1 million, thereby reducing the future reduction to \$3.6 million. The \$3.6 million dollar reduction is projected to be implemented in 2016.

With the Provincial funding reallocation came more local flexibility about allocating funds and a requirement to develop local policies to allocate child care funding based on local needs.

In June 2013, Council approved internal Child Care policy changes to respond to the immediate funding reduction and requested a Child Care System Review to recommend policy and operational changes to Council, in order to create a high quality, efficient child care system that can operate within the current funding realities and is positioned to be able to weather further funding reductions.

The City of Greater Sudbury Children's Services Section and its stakeholder agencies (licensed child care, school board and specialized services partners) have worked collaboratively to develop a plan which will create a strong, stable and responsive child care system that can operate within the current and future funding environments.

### **Historical challenges related to child care funding and delivery**

In addition to responding to the current funding reduction and planning for future reductions, these recommendations also address several historical challenges with the funding and delivery of child care services:

1. Provincial funding allocations for the City of Greater Sudbury, historically, have over funded the child care subsidy program while other areas have been underfunded. This plan shifts more funding to direct grants to child care operators that will strengthen the system for all families.
2. Provincial funding increases starting in 2005 allowed for rapid growth of the child care system in Greater Sudbury. As a result, some child care programs were "over licensed" and now some of the spaces being funded are underutilized. This plan will redistribute spaces (and in some case reduce spaces) so that all funded spaces are maximized, and care is available across the City in an equitable way.
3. Provincial wage subsidy allocation formulas have underfunded the youngest age groups of care which are most expensive to provide, while providing significant grants for care for older children, which is much less expensive to provide. This plan shifts more of the grant funding to the younger age groups, where the costs are highest.
4. Provincial funding formulas and per space amounts have remained unchanged for many years. Some funding has been released on a year-to-year basis and subsidy rates have not been increased on a regular schedule. As a result, child care operators have been challenged to keep up with and plan for inevitable increases to costs. This plan provide a more stable and predictable funding plan to help child care operators plan for the future.

5. The system review identified several significant challenges related to the direct operation of Junior Citizens Day Care by the City of Greater Sudbury, especially in a time of funding reductions. These challenges relate to the high cost of providing this care at this site and issues related to inequitable distribution of funding, the potential or perceived conflict of interest of directly operating one child care centre and the non-profit operators' improved capacity to deliver evening and flexible care at a lower cost. More details about these challenges are provided later in this report. This plan recommends that the unique services (evening and flexible care) currently provided by Junior Citizens Day Care be transferred to the non-profit system.

The Child Care System Review provides a foundation for an improved child care system which will allow all partners to work together to plan for, deliver and evaluate a high quality, equitable and stable child care system. It will give the City of Greater Sudbury, as the System Service Manager, the tools and policies to effectively manage the child care system now, and in the future.

## **Child Care System Review Process**

The recommendations in this report are a result of a year-long collaborative community planning process led by the Children Services section. The System Review Working Group, made up of 14 members representing all stakeholders, met regularly and brought their recommendations to the System Review Stakeholders Group, made up of the boards and operators of all childcare agencies and all four school boards. All recommendations included in the report have the full endorsement of the Child Care System Review Stakeholder's Group.

## **Child Care System- Proposed Changes**

### **1. Child Care Funding Allocation Formula**

The System Review Working Group recommends an allocation strategy which will ensure that funding increases or decreases occur in a planned and predictable way. The new, local formula sets the proportion of subsidy funding at the historical level of actual spending on the program. This frees up additional funding to be shifted into direct grants for operators, in order to promote stability of child care programs, to maintain quality and affordability for all families, and to improve working conditions for Early Childhood Educators and child care workers. When changes are made to overall funding, program areas will be increased, or reduced, proportionally.

The System Review proposes a predictable "proportional" formula for core funding areas:

General Operating Grant 36%  
Child Care Subsidy 55%  
Special Needs Inclusion 9%

### **2. Redistribution of Licensed Child Care Spaces**

The System Review Working Group completed a full review of the current child care system and studied issues related to demand, enrollment, demographics, school board plans, financial viability, efficiencies and facilities at a neighbourhood level.

In some neighbourhoods, there are spaces that are underutilized, while other neighbourhoods are under-served. By reducing spaces where they are underutilized, and creating some spaces in under-served areas, the child care redistribution will create a more equitable, efficient and stable child care system. Where spaces may be closed or moved, and there are currently some children using them, mitigation dollars will be

used, where possible, to allow those children to “age out” of those programs.

After reviewing service levels, utilizations, demographics and demand, the System Review proposes a redistribution of licensed spaces that:

- a. Improves equity of service by neighbourhood and language and provides care in locations that best meet families’ needs
- b. Ensures care is available in remote areas and cultural communities
- c. Reduces underutilized spaces (approximately 190 spaces or 4% of spaces)
- d. Promotes viability/stability of existing agencies and maintains equity of service between school boards
- e. Uses mitigation dollars to ensure a smooth transition and avoid service interruptions for children and families

Child Care Operators and School Boards are actively working with the City to redistribute and reduce underutilized spaces by 2015. A decision making tool for the selection of locations for child care spaces, was developed and has been endorsed by the System Review Stakeholders Group.

The allocation and ongoing operation of funded spaces will be managed through Funding Agreements with the Child Care Agencies

The proposed redistribution of spaces by neighbourhood and language is summarized in Appendix #1- Proposed Licensed Child Care Space Distribution.

### **3. Operating Grant Formula**

Provincial wage subsidy allocation formulas have underfunded the youngest age groups of care which are most expensive to provide, while providing significant grants for care for older children, which is much less expensive to provide. This plan shifts more of the grant funding to the younger age groups, where the costs are highest. The proposed local formula recognizes the high cost of providing care for the younger age groups and focuses the funding on those age groups. It will allow agencies to operate these groups as they are required.

The system review proposes the following General Operating Grant formula which:

- shifts grants to younger age groups to better reflect costs of operating
- ensures that operators can offer the care that is required by the community
- controls the number of spaces approved and avoids funding “underutilized” spaces
- positions child care operators and programs to be able to remain viable as future funding reductions are implemented

1. A per space amount for approved spaces for 0-3.8 year olds:

\$6000 per Infant space per year (approximately 176 spaces will be funded)

\$4000 per Toddler space per year (approximately 475 spaces will be funded)

\$1520 per Preschool space per year (approximately 1044 spaces will be funded)

2. “Block funding” for spaces for children aged 4-12.

A maximum grant of \$7500 per year, per approved licensed site.

The City of Greater Sudbury will work with operators to determine spaces to be funded. Operators will not be permitted to operate spaces for 0 - 3.8 year olds that are not approved. Operators may operate child care programming for children aged 4 - 12 years old, based on community need.

The Grant formula and allocation will be reviewed on an annual basis to ensure it continues to meet community and agency needs.

#### **4. Changes to Child Care Rates**

While the Child Care System Review has worked to keep child care rates affordable for families, there are some areas where rates need to be raised to better reflect the true cost of providing care. Further, rates need planned increases that are small and predictable, in order to keep up with rising costs and maintain quality programming.

The System Review proposes the following changes to subsidized and full fee rates:

- a. Keep regular rates stable at their current level but build in small, predictable increases for cost of living.
- b. Support eligible shift working families who require flexible care for children aged 0-3.8, and evening care for children aged 0-10, by paying a negotiated community rate that reflects the higher cost of care.
- c. Operators receiving the flexible care and evening rates will be expected to implement higher flexible and evening rates for their full fee families over 4 years.

Because the overall budget for child care subsidy is fixed, and may be reduced as budgets are reduced, increasing costs over time will mean that less children can be served by the child care subsidy program, resulting in potential waitlists for service.

Details of current and proposed rates for child care subsidy are provided in Appendix #2- Proposed Subsidized Child Care Rates

#### **5. Direct operation of Junior Citizens Day Care**

The System Review studied the operation of Junior Citizens Day Care (JCDC), including the service delivered, costs and benefits of direct operation of the program by the City.

Direct operation has allowed Junior Citizens to be innovative and provide a unique type of care to meet families' needs that other operators have not been able to provide. However, the System Review identified several concerns related to the direct operation of Junior Citizens Day Care:

- a. The program costs significantly more to operate than other non-profit programs. In 2013, it cost \$94/child to provide a day of care at Junior Citizens Day Care, while the average rate paid to a community centre for a day of care was \$43/child.
- b. The operation of a child care program by the City of Greater Sudbury creates an inequitable situation in the child care system where one program uses a disproportionate amount of limited child care funding.
- c. The operation of one child care centre may be perceived to be a conflict of interest for the City in its role as the Local Service System Manager for Child Care (as defined by the Ministry of Education).
- d. The non-profit child care sector has the capacity to deliver a comparable service, if given appropriate support and resources.

The System Review proposes that the City transition out of directly operating child care at Junior Citizens Day Care by working to move these services to non-profit community operators who have identified capacity to deliver the unique services currently provided by JCDC.

Given Council direction, a detailed transition plan to transfer directly operated services to non-profit child care providers will be brought back to Council for approval before December 2015.

## Planning for reduced funding

The changes to the Child Care System proposed by the System Review, allow for a projection of the impact to service when the identified budget reduction of \$3.6 million is implemented by the Ministry of Education.

A budget reduction as significant as this will have a large and direct impact on service. This table demonstrates the additional impact on service if Junior Citizens Day Care continues to be operated by the City.

### Projected Service Impact of \$3.6 million Funding Reduction- with JCDC Options

	After 3.6 million reduction- With JCDC Services Remaining Direct Operated	After 3.6 million reduction- With JCDC Services Delivered by the community
	Status Quo	Recommended
Funding for Core Programs (General Operating Grant, Child Care Subsidy, Special Needs Inclusion)	\$10,816,500	\$12,119,383
Funding for Directly Operated Day Care (JCDC)	\$1,302,833	-----
<b>Projected loss of licensed child care spaces</b> (Estimated loss of 0-3.8 spaces)	605	418
<b>Projected waitlist for Child Care Subsidy</b> (from 2014-estimated based on historical spending)	729	519

## Next Steps

With approval from Council, Children Services will work with stakeholders to:

1. Implement required changes and submit required reports to the Ministry of Education
2. Revise Child Care Funding Agreements starting January, 2015
3. Develop a detailed transition plan and bring it to Council for approval by December, 2015

## Appendix #1- Proposed Licensed Child Care Distribution

Neighbourhood	# of children (2011 census)	Proposed # of English Spaces for Ages 0-3.8 years-starting 2015	Proposed # of French Spaces for Ages 0- 3.8 years-starting 2015	Spaces as a proportion of number of children in the neighbourhood	Proposed variance in number of spaces (compared to May 2014)
Downtown/ Bell Park	243	158	13	70%	(17)
Flour Mill/Donovan	695	73	62	19%	(24)
West End	306	170	0	56%	(4)
Downtown Area	1244	401	75	38%	(45)
New Sudbury	1021	128	71	19%	(32)
Minnow Lake	550	50	26	14%	26
Minnow Lake/New Sudbury Area	1571	178	97	18%	(6)
South End	718	162	104	37%	(20)
South End Area	718	162	104	37%	(20)
Copper Cliff	105	0	0	0%	0
Lively (incl Whitefish)	459	102	13	25%	(8)
Lively/Copper Cliff Area	564	102	13	20%	(8)
Garson	508	106	13	23%	24
Coniston	96	13	16	30%	(40)
Garson/ Coniston Area	604	119	29	25%	(16)
Azilda	186	0	66	35%	0
Chelmsford	503	32	34	13%	0
Levack	96	13	0	14%	(8)
Dowling	121	0	13	11%	0
Rayside/ Onaping Area	906	45	113	17%	(8)
Val Caron	353	72	53	35%	(4)
Hanmer	909	48	71	13%	(21)
Capreol	126	21	0	17%	(26)
Valley/ Capreol Area	1388	141	124	19%	(51)
	6995	1148	555	24%	(154)

The final number of spaces to be funded will be negotiated with child care operators.

## Appendix #2- Proposed Subsidized Child Care Rates

### Current Daily Rates for Subsidized Centre-Based Child Care

	4 hours and under	Over 4 to under 6 hours	6 to 9 hours	Over 9 to under 12 hours
Infant	\$21	\$37	\$51	\$55
Toddler	\$16	\$29	\$41	\$45
Preschool	\$14.50	\$26	\$37	\$39
4- 12 years	\$15.50	\$25	\$34.50	\$39

### Proposed Daily Rates for Flexible Child Care (Shift Work, On Call etc.) - to be finalized

	4 hours and under	Over 4 to under 6 hours	6 to 9 hours	Over 9 to under 12 hours
Infant	\$25	\$44	\$61	\$66
Toddler	\$19	\$35	\$49	\$54
Preschool	\$17	\$31	\$44	\$47
4- 12 years	\$15.50	\$25	\$34.50	\$39

### Proposed Daily Rates for Evening Child Care -to be finalized

	4 hours and under	Over 4 to under 6 hours	6 to 9 hours	Over 9 to under 12 hours
Infant	\$25	\$44	\$61	\$66
Toddler	\$19	\$35	\$49	\$54
Preschool	\$17	\$31	\$44	\$47
4- 12 years	\$19	\$30	\$41	\$44