

Request for Decision

Changes to Child Care Funding and Junior Citizens Daycare

Presented To: Community Services Committee

Presented: Monday, Jun 17, 2013

Report Date Wednesday, Jun 05, 2013

Type: Presentations

Recommendation

WHEREAS the Ministry of Education has changed the provincial funding formula for child care which will produce a projected local municipal shortfall of \$1,079,804 for 2013;

AND WHEREAS staff have consulted the child care community and reviewed options for policy changes to mitigate the impact;

AND WHEREAS the province has provided the municipality \$6,676,180 in mitigation funding to assist with the transition of the system over the next 5 years;

THEREFORE BE IT RESOLVED THAT the City Greater Sudbury authorize the policy changes outlined in the report dated June 5, 2013 from the General Manager of Community Development and authorize a system review of which Junior Citizens Daycare Centre (JCDC) will form part of a report back to the Community Services Committee in 8 to 12 months with respect to the future potential \$4.6 million loss to the local municipal child care system;

AND THAT mitigation funding be used to ensure children or families be grandparented out of the system over the next 2.5 years while the policy changes are implemented.

Background

As presented at both the February 4th and April 15th Community Services Committee meetings, the Ministry of Education has made changes to the provincial funding formula for child care. The net shortfall for 2013 is \$1,079,804 with an identified future risk of \$4,649,487. As well, at the April 15th Community Services Committee meeting, staff indicated that a community priority setting process was started to look at policy changes that would achieve the required savings for 2013.

Signed By

Report Prepared By

Tyler Campbell
Manager of Children Services
Digitally Signed Jun 5, 13

Division Review

Ron Henderson
Director of Citizen Services
Digitally Signed Jun 5, 13

Recommended by the Department

Catherine Matheson
General Manager of Community Development
Digitally Signed Jun 5, 13

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Jun 5, 13

Review of Funding – Ministry of Education Provincial and Municipal

Funding Type	Provincial	Municipal	Total ⁽¹⁾
Total 2012 Budget	\$17,529,589	\$2,681,240	\$20,210,829
Total 2012 Actual	\$16,665,063	\$2,332,093	\$18,997,156
2012 Surplus	\$ 864,526	\$ 349,147	\$ 1,213,673
Total 2013 Budget	\$15,758,250	\$2,159,102	\$17,917,352
2013 Funding Shortfall	\$ 1,079,804		
2013 Municipal Associated Budget Surplus		\$450,000 ⁽²⁾	
Mitigation Dollars Received	\$ 6,676,180		
Identified Future Risk	\$ 4,649,487		

(1) Net of JCDC parental revenue.

(2) Municipal associated budget surplus based on revised 2013 budget requirements.

As seen above, the municipality will have \$450,000 in surplus municipal funds which were previously allocated in the 2013 budget to match cost shared programs with the province. Traditionally CGS has not funded the shortfall from programs that have been previously funded by the province. Should the City re-invest the \$450,000 towards the provincial shortfall, it would represent a 100% municipal contribution towards provincially funded programs which are now under review in this report.

Junior Citizens Day Care (JCDC) is another aspect of the daycare system that the Community Services Committee began reviewing in 2012 to look specifically at levy savings and making it more viable. A sub-committee was formed as directed by the Community Services Committee. The new funding formula changes and impact were considered by the sub-committee as part of their review and a recommendation from the committee is outlined in this report.

Community Priority Setting Process

On March 28th, staff met with the child care community regarding the local impact of the child care funding formula changes. During that session, a facilitated process was undertaken by the Social Planning Council to arrive at the top priorities for the child care community. The top six priorities were listed as follows:

Community Priority	Rating
Early Childhood Educator recruitment and retention and plans for credential development	30 Points
Inclusive system planning and leadership	30 Points
Flexibility for working families (ie – part time and night shift)	28 Points
Quality Child care	18 Points
Inclusion of all children (special needs funding)	17 Points
Staff wages, benefits and continuity	16 Points

As shown in the above table, the majority of the priorities related to recruitment and retention of staff, wages and quality. All of these priorities are currently supported by the operating grant that the City pays to providers based on staffing and licensed capacity. Given the priorities set out by the child care community, the City has looked at policy changes that would have an indirect impact on operations of providers and allow them to continue to receive the full operating grant in 2013. City staff then looked at the core services that are provided to families and is recommending the following policy changes to achieve the required \$1,079,907 reduction:

Policy Changes

Policy	Reductions
School Readiness for High Risk Families	\$550,000
10 to 12 Year Olds	\$200,000
Administration and Miscellaneous Policy Changes	\$140,000
Waitlist	\$189,804
Total	\$1,079,804

** Note: Assumptions based on 2012 usage rates

Changes to School Readiness for High Risk Families

The policy is dedicated to Ontario Works/Ontario Disability Support families that have children 18 to 44 months in age. The need for this program is based on research that indicates that children from families with low socio-economic status benefit from school readiness programs. The total cost for the program was approximately \$800,000 in 2012. Social Services has agreed to fund a portion of the costs. A program evaluation is currently underway to determine the best way to continue with the future role out of the program. Existing children in the system would be grand parented. It could take over two years for the policy changes to take full effect. Overall, the policy changes would result in approximate savings of \$550,000 based on 2012 usage rates. The total number of children currently enrolled is 192.

Elimination of 10 to 12 Year Old Subsidized Care

Greater Sudbury has supported subsidies for 10 to 12 year olds in licensed care, however many communities in Ontario do not. The Child Care guidelines from the Province indicate that the City may grant subsidies to 10 to 12 year olds but it is not a core requirement of the guidelines. Existing children in the system that have reached the age of 10 will continue with services until they age out of the program which could take up to two years. Overall, the policy changes would result in approximate savings of \$200,000 per year based on 2012 usage rates. The total number of children in this category as of May 2013 is 126.

Administration and Misc. Policy Changes

Children Services will revisit its organizational structure in 2013 along with reviewing marketing supports to the system with the aim of achieving \$100,000 in savings. Marketing support to promote licensed care and childcare subsidy is not needed as much due to the maturation of the childcare system since the injection of Best Start dollars several years ago.

Miscellaneous Policy Changes

In the process of the policy review that was undertaken by staff, there were several policies that were identified that could be changed in order to align policies to core services. The following changes are proposed:

- **Reduce job search time from 12 weeks to 4 weeks** - This policy covers parents who lose their job while having a child in day care. It currently allows for continuity of care for a 12 week period so that the parent does not lose a day care spot if they are re-employed in the 12 week period. The change would be to 4 weeks which is consistent with the post-secondary job search policy of 4 weeks after graduating from post-secondary education.
- **Lower the minimum monthly contribution cap for parents from \$35 to \$10** - This policy allows CGS to cover the cost of a parent's contribution to child care if their monthly contribution is currently \$35 or less. This is the amount that is billed to the parent from the day care as the parental contribution, since subsidy is on a sliding scale. The proposal is to lower this threshold from \$35 to \$10, meaning parents will be responsible for the paying their contribution from \$10 and up on a monthly basis.

- **Reduce the number of absent days afforded to clients from 45 to 36 days per year** (pro-rated for part time clients) - This policy pays day cares the cost of an absence of the child up to 45 days per year. It is recommended that the number of days be reduced from 45 to 36 days, meaning that parents would be responsible for paying the full cost of any absences over 36 days.
- **Revise the self-employment start-up allowance from 2 years to 1 year** - This policy allows for access to full time child care while a parent is in the start-up phase of self-employment up to 2 years. The proposal would see this time frame reduced to 1 year, meaning that the parent would have to prove viability of the self-employment to continue with child care.

The above policy changes would result in approximate savings of \$40,000.

Waitlist

The final policy change that would be used to offset the funding reduction would be a prioritized waitlist. There was a prioritized waitlist being used for child care several years ago up to the inception of Best Start funding which gave CGS a unique opportunity to operate without the need for it. Several communities in Ontario currently have a prioritized system in place. A prioritized waitlist policy will be brought back to the Standing Committee for review and a 2014 implementation. The amount to which the policy will be used will depend on demand and usage within the system.

Mitigation Funding

Since the Ministry has made the new funding formula announcement in December of 2012, mitigation funding has been provided to municipalities to transition local daycare systems. CGS has received \$6,676,180 and will partly draw on these funds to transition the aforementioned policy changes in the system. This will ensure that children or families will be grand parented out of the system over the next 3 years while the policy changes are implemented. Based on a financial analysis, it is anticipated that the remaining mitigation dollars could be used to further transition the system if and when the \$4,649,487 in identified risk becomes a reality.

System Review

The positive change to the provincial funding formula has been the fact that municipalities have been given more flexibility with how they spend the provincial funding allocation. Therefore, Children Services will be moving towards changes in how the local system is funded. In the past, operational funding was given to day care centres based on a formula for wage subsidy. Staff is recommending a system review to look at possible changes to the operating grant that is provided to centres along with looking at efficiencies to prepare the system for the identified risk of \$4,649,487. Children Services staff have already shared some data with daycare providers about the number of children in the system along with the number of licensed spaces. It is recommended that a report be brought back to committee within the next 8 to 12 months on next steps.

Junior Citizens Sub-Committee

The JCDC Sub-Committee was formed after the January 21st, 2013 Community Services Committee meeting, in which the committee directed staff to work with stakeholders to review possible savings to the municipal levy. The sub-committee made up of union representatives, community childcare representatives, management, parents and a councilor, met twice to review JCDC operations. The committee was presented with detailed information on the operations of JCDC which included an overview of the new funding formula and its associated impact. The average cost per subsidized child was \$6,304 for JCDC versus \$3,063 at a community centre and that the municipality recovers part of its cost from the municipal levy. Closure of the centre would result in additional subsidy dollars for the community along with the savings to the municipal levy projected at approximately \$125,000 for 2013.

Many of the participants asked about possible reductions in overhead costs, which would be very difficult as

89% of costs (2012 actual) are directly related to salary and benefits. This is due to mandated staffing ratios under the Day Nurseries Act and the salary and benefit rates set out in the Collective Agreement. The group agreed that JCDC could form part of a bigger system review. The review would examine ways to make the system more efficient and allow for greater flexibility for part time children and parents working shift work requiring evening care. This aligns with the community priorities of system planning and flexibility for families.

Environmental Scan

As was reported at the December 3rd, 2012 Community Services Committee meeting, direct delivery has been a recent topic of discussion among municipalities as the discussion around non-core services continues across the province. The Region of Peel conducted a review of all of its municipally run centres and came to the following conclusions:

- Phased withdrawal of the Region from direct delivery of child care by September 2014
- Enhance funding for fee subsidy, wage subsidy, special needs supports, quality assurance initiatives and other service priorities and enhancements.

*Early Learning and Child Care Task Force Recommendations – Aug 27, 2012

Most recently, the City of Kingston made a decision to close its municipally run day care centre in the fall of 2013 after 38 years in operation. The City was facing a projected shortfall of approximately \$175,000 despite charging parents a daily rate of \$80 per child.

*Kingston EMC – May 30, 2013

Locally, Cambrian College decided in 2010 to close its college run child care centre which produced reported savings of \$250,000 per year. The College was a direct operator of child care and was subject to many of the same cost pressures that the City faces in regards to staffing costs.

In February 2013, College Boreal in Sudbury announced that it would be closing its directly operated child care centre. The College stated that they would be looking at an RFP process in an attempt to secure a community operator for the fall of 2013.

Conclusion

In summary, the recommended policy changes will achieve the immediate savings over the next two and a half years. In addition, mitigation funding will be used to ensure that existing children are grand parented out of the system. It is further recommended that a service system review with all community stakeholders be undertaken over the next eight to twelve months to prioritize system funding, given the potential \$4,649,487 identified risk, and that the municipally operated JCDC service form part of that review.