

TO:	CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE OCTOBER 28, 2013
FROM:	LYNNE LIVINGSTONE MANAGING DIRECTOR NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES; ADMINISTRATOR, <i>DAY NURSERIES ACT</i>
SUBJECT:	2014 CHILD CARE SERVICE PLAN

RECOMMENDATION

That, on the recommendation of the Managing Director of Neighbourhood, Children and Fire Services in her capacity as Administrator, *Day Nurseries Act*, the following actions **BE TAKEN**:

- a) City Council **ENDORSE** the Child Care Service Plan for 2014 (attached as Schedule 1); and,
- b) The \$1 Million funding allocation to support the 2014 Child Care service plan **BE APPROVED** as a drawdown from the Child Care and Early Childhood Development Reserve Fund.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- Child Care Funding Formula Update – April 8, 2013
- Provincial Modernizing Child Care Policy Direction and Funding Announcements – September 10, 2012

BACKGROUND

Under the Day Nurseries Act, the City of London is designated as the Consolidated Municipal Service Manager (CMSM) for children’s services for the geographic area of the City of London and the County of Middlesex.

In January 2013, the Ministry of Education changed the way in which CMSMs are funded to manage and deliver child care services, and provided CMSMs with greater flexibility to allocate child care funds based on each CMSMs unique service needs. As a condition of this increased flexibility, CMSMs are contractually obliged to develop, in consultation with their child care partners, Child Care Service Plans that articulate how the child care system will be managed to ensure an integrated approach to community services for children; how certain contractual service targets will be met and how funding will be allocated amongst the service delivery components.

London-Middlesex’s consultation process involved a total of 7 meetings throughout 2013 and was led by Neighbourhood, Children and Fire Services in collaboration with representatives from Middlesex County, resulting in the development of the 2014 Child Care Service Plan (attached as Schedule 1).

Summary of the 2014 Child Care Service Plan

- Funding to support the delivery of child care services can be classified into two categories:
- 1. Funding that directly supports parents and children (i.e. Child Care Fee Subsidy, Special Needs Resources); and
 - 2. Funding that indirectly support parents and children through the provision of direct supports to child care programs (i.e. Operating Grants, Capital Grants).

In summary, the 2014 Child Care Service Plan for London-Middlesex aims to hold direct funding supports to child care programs relatively constant, while increasing funding allocations that directly support parents and children.

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The key strategic elements of the 2014 Child Care Service Plan are:

- Increases in financial resources, if any, will be prioritized towards service delivery components that directly support children and families (i.e. Child Care Fee Subsidy and Special Needs Resourcing).
- As a result of the reduced funding received by the London-Middlesex CMSM for 2013 and forward, the Average Monthly Fee Subsidy Case Load that can be sustained with core funding will decrease to approximately 2,400 children (combined London-Middlesex), a decrease of approximately 300 children from historical trends. An initial amount of \$1 million dollars from the Child Care and Early Childhood Development Reserve Fund will be allocated to the 2014 Fee Subsidy program in order to mitigate the impact of the reduction in funding, allowing approximately 130 additional children to be supported with Fee Subsidy. The Average Monthly Fee Subsidy Case Load in 2014 is therefore projected to be approximately 2,530 children.
- Under the new funding formula, historical Wage Subsidy supports to child care programs are no longer supported. CMSMs are required to transition Wage Subsidies to a new General Operating Grant. Working closely with the child care community, the CMSM has developed business practices and protocols required to implement a General Operating Grant. In 2014, existing Wage Subsidy allocations to child care providers will be maintained at current levels (and in some cases slightly increase) but will be converted to the General Operating Grant format. It is noted that the General Operating Grant will be available only to child care programs in existence and operating as of January 1, 2014.
- The CMSM currently has Purchase of Service Agreements and Funding Agreements with children’s services providers, many of which have not been updated for many years. With the elimination of the Wage Subsidy programs, the CMSM intends to take the opportunity to replace these agreements with a new, consolidated and more comprehensive Children’s Services Funding Agreement. In addition to updating and clarifying contractual requirements and expectations, the new Children’s Services Funding Agreement also establishes the foundation to require child care providers to participate in quality assessment and improvement initiatives; to provide care for special needs children; and to actively participate in child care and early learning networks and professional associations.
- The CMSM will work with the child care community to develop a sustainable Quality Assessment and Improvement Program, one of the outcomes of which is to ensure the CMSM’s financial investment in the sector is supporting quality services for residents. A consultation process with the child care community will begin in 2014 to develop the framework and resource requirements for the Quality Assessment and Improvement Program, with initial implementation of the Program planned for late 2014 or early 2015.

Under the funding agreement with the Ministry of Education, CMSMs have three contractual service targets which they are required to meet. If the CMSM does not meet the service targets by 10% in the aggregate, the CMSM’s entitlement and cash flow is reduced by 1% for every 10% missed. The attached 2014 Child Care Service Plan for London-Middlesex provides detailed information with respect to each of the strategic initiatives outlined above. The Child Care Service Plan will allow London-Middlesex to meet its contractual targets.

As the Administrator, *Day Nurseries Act*, the Managing Director of Neighbourhood, Children and Fire Services will continue to report to City Council with respect to the implementation of the Child Care Service Plan at a minimum annually.

FINANCIAL IMPACT

One-time “mitigation funding” was provided by the Province as a result of the reduction in the CMSM’s historical funding allocation. This 100% Provincial funding is held in the Child Care and Early Childhood Development Reserve Fund. The 2014 Child Care Service Plan reflects a drawdown and planned allocation of \$1 million to the Fee Subsidy program from the Child Care and Early Childhood Development reserve fund allowing approximately 130 additional children to be supported with fee subsidy. After this drawdown of \$1.0 million, the remaining balance in the reserve fund would be approximately \$5.8 million.

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The new child care funding formula is based on a blended cost sharing methodology, whereby a portion is cost shared at 50% municipal cost, a portion cost shared at 80% Provincial and 20% municipal, and the remainder at 100% Provincially funded. The required minimum municipal contribution has been fixed at approximately \$5.8 Million annually. Additional municipal contributions beyond the minimum required by the Ministry are recognized and eligible for potential additional Provincial funding in future years.

At the time of writing, the 2014 Child Care Funding Allocation from the Ministry of Education has not been confirmed. However, the total Children's Services funding for 2014 is projected to be approximately \$33 million, consisting of approximately \$27.2 million from the Ministry of Education and the associated required minimum CMSM contribution of \$5.8 million. The CMSM's minimum 2014 contribution is projected to be the same as the 2013 municipal contribution and will be addressed through the 2014 municipal budget. Incremental funding, if any, will be 100% Provincial funding.

SUBMITTED BY:	RECOMMENDED BY:
IAN GIBB MANAGER, CHILDREN'S SERVICES NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES	LYNNE LIVINGSTONE MANAGING DIRECTOR NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES

C. Anna Lisa Barbon, Financial & Business Services, COL

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Schedule 1

**2014
Child Care Service Plan
London - Middlesex**

October 2013



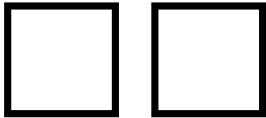


2014 Child Care Service Plan

London - Middlesex

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Executive Summary

(Note – This is a working draft of the 2014 Child Care Service Plan for the London-Middlesex Consolidated Municipal Service Manager. This plan has been not been submitted to London Municipal Council (as CMSM for London-Middlesex) for approval. As such, it is subject to change.)

In January 2013, the Ministry of Education changed the way in which Consolidated Municipal Service Managers (CMSMs) are funded, and provided CMSMs with greater flexibility to allocate funds based on each CMSMs unique needs. In consultation with the local child care community CMSMs are expected to develop Child Care Service Plans that articulate how the child care system will be managed, including how funding will be allocated amongst the service delivery components. London-Middlesex’s consultation process took place throughout 2013 and was led by Neighbourhood, Children and Fire Services in collaboration with representatives from Middlesex County, resulting in the development of this Child Care Service Plan for 2014.

The 2014 Child Care Service Plan for London-Middlesex aims to hold direct funding supports to child care programs relatively constant, while increasing funding allocations that directly support children and families. Allocation strategies for each of the child care components are presented, including priorities for any possible funding increases. Plans on how to mitigate the impact of a reduction in overall funding on the Fee Subsidy system are discussed.

A new General Operating Grant is being implemented to replace existing Wage Subsidy programs. The 2014 Child Care Service Plan outlines how the General Operating Grant was developed, how it is being calculated, and how it will be implemented in 2014.

The new Ministry of Education funding formula provides the CMSM with the opportunity to update and replace outdated Fee Subsidy Purchase of Service and Wage Subsidy Agreements with a new Children’s Services Funding Agreement. The 2014 Child Care Service Plan discusses key elements of the new agreement, and how it will be implemented.



Background

New Child Care Funding Formula

In December 2012, the Ministry of Education announced a new Child Care Funding Formula which re-structured the way in which delivery agents under the Day Nurseries Act (hereafter referred to as Consolidated Municipal Service Managers or CMSMs) are funded and the manner in which prescribed services may be delivered. Effective January 2013, the new child care funding formula replaced the historical approach of funding allocations based on specific programs with a methodology similar in structure to the way in which School Boards are funded. The new funding formula is based on publicly available, third-party demographic elements drawn from Statistics Canada sources that more accurately reflect child care demand and program cost structure at a community level.

The following is a summary of the most significant changes for the London-Middlesex CMSM associated with the new child care funding formula methodology:

- Streamlined funding and allocation process - consolidation of the existing 21 funding envelopes into 3 primary categories: Core Funding (including Fee Subsidies, General Operating Grants to child care programs and Special Needs Resourcing); Special Purpose Grants and Capital Grants.
- Responsibility provided to the CMSM to allocate funding based on the CMSM's unique needs and strategies. The CMSM now has the flexibility to determine (within limits) the amount of funding allocated to Fee Subsidy, General Operating Grants and Special Needs Resources.
- Elimination of Wage Subsidy funding to child care programs to be replaced by a new General Operating Grant. This change has resulted in:
 - A requirement to develop policy and protocols with respect to funding child care centres through a new General Operating Grant.
 - A requirement to replace all existing Wage Subsidy and Purchase of Service Agreements with child care providers with a new Funding Agreement that incorporates the new General Operating Grant.
- A base funding decrease to the London-Middlesex CMSM from \$28.4 million in 2012 to \$26.7 million for 2013, a reduction of \$1.7 million. London-Middlesex received one-time "Mitigation Funding" of \$6,562,858, the purpose of which is to buffer the impact of the reduced funding on service delivery levels over the next 3 to 5 years.

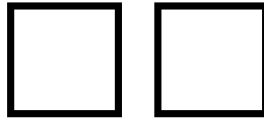
Child Care and Early Childhood Development Reserve Fund

As noted above, the London-Middlesex CMSM received one-time mitigation funding to support the transition to the new child care funding formula and framework over the next 3 to 5 years. The funding was provided to the CMSM through an agreement separate from the regular Child Care Funding Agreement, with the expectation that the CMSM would:

- Hold and account for the funds separately from the regular Child Care Funding;
- Develop a plan with respect to the deployment of the mitigation funds; and
- Apply the funds over the next 3 to 5 years.

In April 2013, Municipal Council approved the establishment of the ***Child Care and Early Childhood Development Reserve Fund*** to hold the mitigation funds until an initial Child Care Service Plan could be developed.

During the spring and summer of 2013 Neighbourhood, Children and Fire Services personnel in collaboration with representatives from Middlesex County, facilitated a series of large and small group consultations with child care providers from London and Middlesex. The result of these consultations is this Child Care Service Plan for London-Middlesex.



2013 – A Year of Transition

While the development of the Child Care Service Plan for London-Middlesex was planned to take place throughout 2013, the reduction in funding was effective January 1, 2013. This required the CMSM to implement interim financial and business plans for the 2013 year while the Child Care Service Plan was being developed.

The driving motivation for the development of these interim plans was to maintain as much stability as possible within the child care system. Therefore, for 2013, the CMSM:

- Maintained funding directly provided to child care service providers at the existing 2012 levels
- Maintained funding for Special Needs Resourcing at the existing 2012 levels
- Maintained funding to Middlesex County at the existing 2012 levels
- Absorbed the \$1.7 million reduction in funding within the Fee Subsidy system in London

The impact on the Fee Subsidy system in London has been dramatic. At the end of 2012, the child care Fee Subsidy caseload in London had increased to approximately 2,900 children per month, and the Wait List for Fee Subsidy in London had been virtually eliminated. (Approximately 150 additional children receive Fee Subsidy through Middlesex County). However, the reduction in overall CMSM funding equates to a sustainable case load of approximately 300 fewer children. In order to reduce the case load to this sustainable level, the CMSM froze the placement of children from the Fee Subsidy Wait List in February 2013, and has relied on normal attrition to bring the total case load down. As a result, the London Child Care Fee Subsidy Wait List has grown to approximately 600 children at the end of September.

The normal attrition of children from the Fee Subsidy system has been slower than anticipated. As a result, an operating deficit in Fee Subsidy is anticipated for 2013. It is expected that between \$500,000 and \$750,000 of funds from the Child Care and Early Childhood Development Reserve Fund will have to be accessed to offset this deficit.



2014 Child Care Service Plan

Strategic Overview

In summary, the 2014 Child Care Service Plan for London-Middlesex aims to hold direct funding supports to child care programs relatively constant, while increasing funding allocations that directly support children and families.

The key strategic elements of the 2014 Child Care Service Plan are:

- Increases in financial resources, either from incremental Ministry of Education funding, use of Mitigation Funds from the Child Care and Early Childhood Development Reserve Fund, or repurposing of Administrative Expenses will be invested primarily in service components that directly support children and families (i.e. Fee Subsidy and Special Needs Resourcing).
- An initial amount of \$1 million dollars from the Child Care and Early Childhood Development Reserve Fund will be allocated to the 2014 Fee Subsidy program in order to mitigate the impact of the reduction in funding on the Fee Subsidy Case Load. This initial allocation will allow the Fee Subsidy Case Load to increase by approximately 130 children above the level that is sustainable with core funding. The Fee Subsidy system will be closely monitored over the year, and this initial allocation may be adjusted over the course of the year.
- Existing Wage Subsidy allocations to child care providers will be maintained at current levels (and in some cases slightly increase) but will be converted to a General Operating Grant format, providing some measure of funding stability to the service delivery sector. A portion of Special Purpose Funds within the overall CMSM funding allocation plus any funds recaptured through the closure or downsizing of existing child care programs will be re-invested in Incremental General Operating Grants targeted to programs that currently receive less than their equitable share of funding. Child Care programs opening after January 1, 2014 will be ineligible for General Operating Grant funding until the existing child care network has been stabilized and funding equity has been achieved.
- Existing Purchase of Service Agreements with all child care providers will be replaced with a new, consolidated and more comprehensive Children's Services Funding Agreement. The updated Children's Services Funding Agreement will lay the foundation to require child care providers to participate in quality assessment and improvement initiatives; to provide care for special needs children; and to actively participate in child care and early learning networks and professional associations.
- The CMSM will work with the child care community to develop a sustainable Quality Assurance and Improvement Program, one of the outcomes of which is to ensure the CMSM's financial investment in the sector is supporting quality services for residents. A consultation process with the child care community will begin in 2014 to develop the framework and resource requirements for the Quality Assurance and Improvement Program, with initial implementation of the Program planned for late 2014 or early 2015.
- In light of the anticipated lower level of Child Care Fee Subsidy Case Load and the anticipated 2013 Fee Subsidy operating deficit, a stringent review of Administrative expenses will continue.

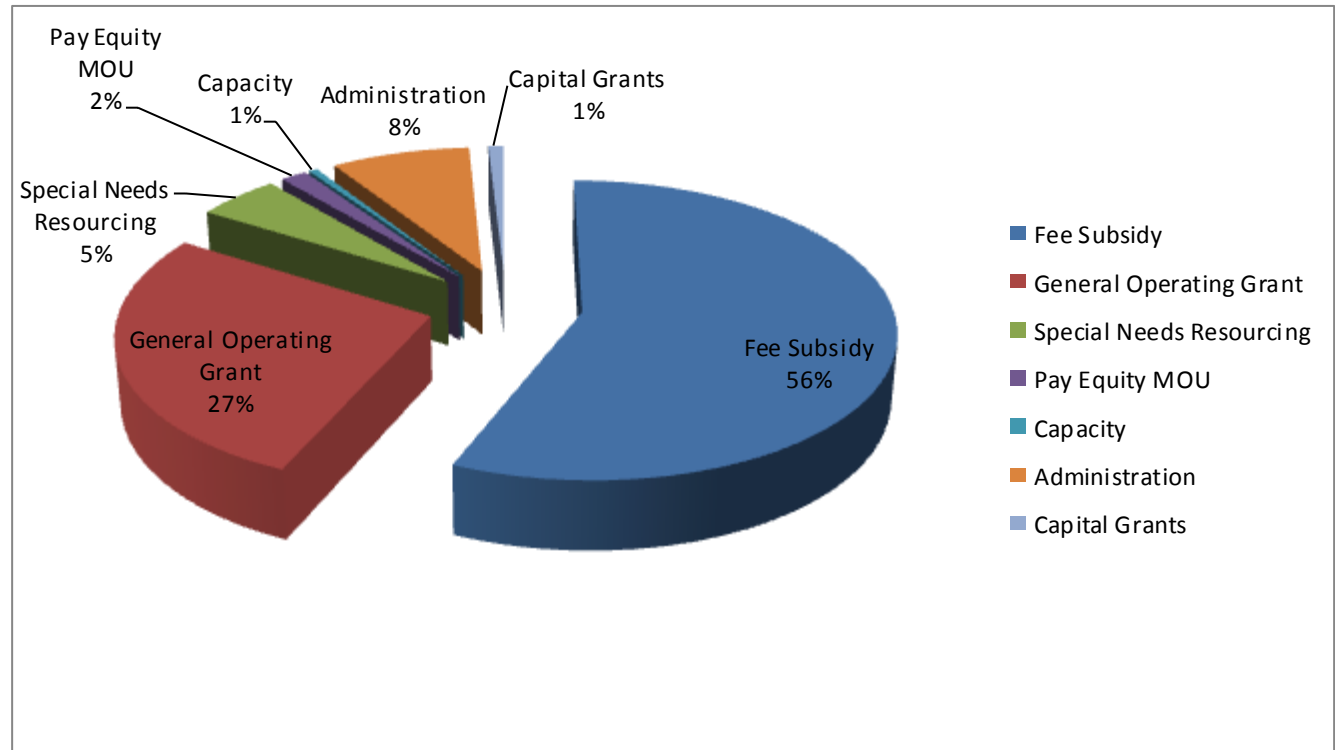


2014 Funding Allocation Summary

Overview

Child Care funding from the Ministry of Education falls into three categories - Core Funding, Special Purpose Grants and Capital Grants. Funding components in each of these categories are discussed below.

At the time of writing, the 2014 Ministry of Education funding allocation has not been finalized. Therefore the 2014 Child Care Service Plan for London-Middlesex identifies key strategies rather than finite fiscal projections. However, using 2013 data as a starting point, and applying the strategies identified below, the anticipated 2014 Child Care funding allocation (excluding the allocation of funds from the Child Care and Early Childhood Development Reserve Fund) will be approximately as shown below:



Note – The percentages reflected in this graph reflect allocations based on the combined CMSM and Ministry of Education funding.



Core Service Delivery

Core Service Delivery consists of the following components:

1. Fee Subsidy
2. General Operating Grant
3. Special Needs Resourcing
4. Pay Equity Memorandum of Understanding

Allocation strategies for each of these components are discussed below.

1 - Fee Subsidy

Fee subsidy expenditures are driven by two components:

- The average monthly number of children supported (i.e. caseload);
- The cost to support each child (i.e. Per Diem)

Case Load - Based on the funding allocations described below, and excluding any supplemental funding from any other sources, the Target Average Monthly Case Load for 2014 (combined Child Care and Ontario Works) that can be sustained in London-Middlesex with core EDU funding is estimated at approximately 2400 to 2500 children - this is a significant reduction from the Average Monthly Case Load that was maintained in 2011 and 2012 (approximately 2,800 – 2,900 children).

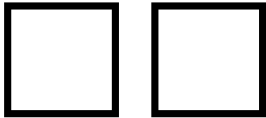
A key focus in 2014 will be to source additional funds in order to increase the availability of Fee Subsidy, and to increase the average Monthly Case Load. At approximately \$7,750 per child per year in 2014, the impact of supplemental funding is approximately 13 children for each \$100,000 invested. Possible sources of incremental funding that will be investigated include incremental Ministry of Education funding, contributions from Ontario Works, CMSM discretionary funding, reduction in Administrative Expenses and use of Mitigation Funds from the Child Care and Early Childhood Development Reserve Fund.

An initial allocation of \$1 million from the Child Care and Early Childhood Development Reserve Fund is included in the 2014 Child Care Service Plan, helping to increase the number of children receiving Fee Subsidy. This funding will allow approximately 130 additional children to be supported with Child Care Fee Subsidy, increasing the Target Monthly Case Load to approximately 2,530 to 2,630 children. The Fee Subsidy system will be closely monitored over the year, and this initial allocation may be adjusted over the course of the year.

Per Diem – It is expected that child care Operators will request increase in the Per Diem rates paid to them that are above the rate of inflation and/or the percentage increase in Ministry of Education funding. The CMSM’s strategy will be to continue, as much as possible, to:

- Support the payment of full Market Rates for Infants and Toddlers;
- Close the gap between the CMSM Per Diem rate and the Market Rate for Preschool children; and
- Maintain the existing gap between the CMSM Per Diem Rate and Market Rates for Extended Day and School Age children at its current level.

This approach consolidates the improvements made to the Per Diem rates in 2013, and is consistent with Provincial direction to focus available funding, as much as possible, in support of children aged 0 to 4 years old.



2 - General Operating Grant

The General Operating Grant has two components:

- 1. Legacy General Operating Grant - the amount paid to all Programs in 2012 (\$8,867,575). For 2013, 2014 and onwards, there are no increases in this funding allocation to Programs; and
- 2. Incremental General Operating Grant – the amount allocated to increase General Operating Grant Funding to Programs whose funding level in 2013 is below the General Operating Grant Median Point¹. The amount of funding allocated annually to the Incremental General Operating Grant is discretionary, and is influenced by resources repurposed through program closures and downsizing, Special Situations, program eligibility as per the new Children’s Services Funding Agreement and CMSM policy.

(Details of how the General Operating Grant was developed and calculated and how it will be implemented are discussed in the following section.)

In 2013, Wage Subsidy funding to every program was maintained at 2012 levels. For 2014 and onwards, Wage Subsidy will be replaced by a Legacy General Operating Grant and will be maintained at 2013 levels, with the exception of the Special Situations noted within this report. In other words, all Programs in the CMSM (with the exception of Special Situations) will maintain, at a minimum, the level of funding they received in 2012 and 2013, subject to their continued eligibility.

Programs that are receiving less than their equitable share of funding as calculated based on their 2013 funding levels (i.e. Programs whose funding, expressed as a \$/point, is less than the General Operating Grant Median Point) will be eligible for an increase in General Operating Grant funding. Annually the CMSM will determine the total amount of funding to be allocated to this Incremental General Operating Grant Funding, and will determine the appropriate distribution to eligible Programs.

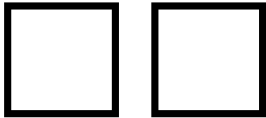
3 - Special Needs Resourcing

In 2013 funding for Special Needs Resourcing was maintained at 2012 levels. For 2014 and on, Special Needs Resourcing funding will increase at the same percentage rate as any increases in overall Ministry of Education funding.

4 - Pay Equity Memorandum of Understanding

In 2013 Pay Equity Funding was maintained at 2012 levels. For 2014 and on, Pay Equity Funding will be kept at 2013 levels, unless directed otherwise by the Ministry of Education.

¹ The 2013 **General Operating Grant Median Point** is the funding level, expressed as a \$/point, that would be in place if the existing funding system was scrapped and replaced with an approach that provided the same level of funding to every Program



Special Purpose Funds

Special Purpose Funding consists of the following components:

- 1. Capacity Funding
- 2. Transformation Funding
- 3. Repairs and Maintenance Funding
- 4. Capital Retrofit Funding

Allocation strategies for each of these components are discussed below.

1 - Capacity Funding

Capacity Funding is provided by the Ministry of Education exclusively for assessing and improving quality, professional development and development of overall system capacity. Therefore 100% of Capacity Funding received will be used to support these outcomes. A consultation process with the child care community will begin in 2014 to develop the framework and resource requirements for the Quality Assurance and Improvement Program, with initial implementation of the Program planned for late 2014 or early 2015.

2 - Transformation Funding

Transformation Funding is provided by the Ministry of Education to help sustain the viability of Programs affected by the implementation of Full Day Kindergarten. As all Programs are now being affected in some way by Full Day Kindergarten, the CMSM intends to include 100% of these funds in the General Operating Grant funding stream, which supports all Programs equitably.

3 - Repairs and Maintenance Funding

Repairs and maintenance Funding is provided by the Ministry of Education to support the maintenance of compliant child care facilities, and to address specific non-compliance issues. As all Programs are required to maintain their facilities to DNA standards, the CMSM plans to include 75% of Repairs and Maintenance Funding in the General Operating Grant funding stream, which supports all Programs equitably. 25% of Repairs and Maintenance Funding will be held in reserve throughout the year to support emergency situations in Programs. If unused in the fiscal year these funds will be reabsorbed into the overall budget.

4 - Capital Retrofit Funding

Capital Retrofit Funding is provided by the Ministry of Education to support capital replacement within non-profit child care programs. Therefore 100% of Capital Retrofit Funding is allocated annually to Programs, using specific criteria established by the Ministry of Education.



Administrative Expense

Prior to 2013, funding for Administrative Expenses was provided by the Province in a fixed, discreet funding envelope. Under the new funding formula, funding for Administrative Expenses is included in the Core Service Delivery allocation. The CMSM is allowed to claim up to 10% of the total EDU allocation as Administrative Expense, with any Administrative Expense incurred above that amount being charged as a 100% Municipal contribution.

In 2014, the CMSM will continue to review its review of Administrative expense, with the objective that any savings that can be realized will be re-invested into the Fee Subsidy program.

Capital Grants

Funding to support Capital Grants to the non-profit child care sector are provided as a discrete funding line within the total Ministry of Education allocation. At the time of writing, there is very little flexibility provided to the CMSM with respect to how these funds are managed and provided to the child care sector.

In 2014, the CMSM will continue to follow the specific Capital Funding guidelines provided by the Ministry of Education.



General Operating Grant

Under the new Ministry of Education funding formula, historical Wage Subsidies to child care programs are no longer supported. In their place, CMSMs are expected to develop a broader, more inclusive and more equitable General Operating Grant funding mechanism.

In 2014, the CMSM will introduce and operationalize the General Operating Grant. The following sections discuss how the framework for the General Operating Grant was developed; how it will be funded; and how it will be implemented as part of a new Children's Services Funding Agreement.

Development of the General Operating Grant Framework

The General Operating Grant Framework was developed using the following process:

1. Established a Working Group consisting of 14 child care Operators and staff. The Working Group provided input, guidance and feedback on the development of the General Operating Grant.
2. Developed and received Working Group endorsement for the General Operating Grant Purpose. (Appendix 1)
3. Discussed and received Working Group endorsement for implications of the General Operating Grant purpose. The key implications are:
 - New Children's Services Funding Agreement to require mandatory participation in a Quality Assessment and Improvement Program. Future funding could be tied to a Program's quality or its degree of participation in the Quality Assessment and Improvement Program;
 - New Children's Services Funding Agreement to require all Program to annually submit the Program's Inclusiveness Policy;
 - New Children's Services Funding Agreement to require all Programs to annually submit a statement on how the Program is connected to local service planning and delivery networks and professional associations;
 - New Children's Services Funding Agreement to require in order for a Program to be eligible to receive General Operating Grant funding, the Program must also have a Fee Subsidy Agreement with the CMSM.
4. Discussed and received Working Group endorsement of the Principles to guide the development and management of the General Operating Grant. (Appendix 2)
5. Developed, discussed and received Working Group endorsement of a "**Point System**" approach to calculate General Operating Grant eligibility. The Point System approach analyzes the relative child/staff ratio within each age group, and calculates "point per space" in a way that provides equity amongst all age groups. (Appendix 3)
6. Using the Point System approach, modeled the entire CMSM child care system to calculate the **Total System Points**. This was done by first calculating the points for every licensed program in the CMSM using the Program's known Operating Capacity and Model of Operation. (Appendix 4) The Total System Points was then calculated as the sum of each Program's Individual Points.
7. Dividing the Total System Points into the available Funding to Programs (assumed to be the 2012 funding directly provided to child care Programs, net of restricted funds) provide an estimated **Value Per Point**. (Appendix 5). Note that the estimated Value Per Point is in reality the 2013 **General Operating Grant Median Point** - the funding level that would be in place if the existing funding system was scrapped and replaced with an approach that provided the same level of funding to every Program.



8. Calculated and plotted the current actual funding (expressed as \$/point) by dividing 2013 funding to Programs by each Program's total points. Chart 1. This chart shows that there are Programs that are above and below the Median Point (a.k.a. potential winners and losers).
9. Identified three options to move towards achieving funding equity amongst all Programs:
 1. Reduce funding to those above the Median Point and increase funding for those below the Median Point. This approach creates "winners and losers", but does not require incremental funding to Programs (zero sum approach). However, this approach creates significant challenges and sustainability issues for losers.
 2. Increase funding each year using a "bottom up" approach. Start with Programs receiving the lowest funding per space and increase funding to them until they catch up to the next lowest funded Program. Increase these Programs to the next level, and so on. Continue floating up until all Programs receive the same level of funding.
 3. Increase funding each year to all Programs below the Median Point on an equitable basis (i.e. 10% of the gap). All Programs below the Median Point benefit until the Median Point is achieved.
10. Presented and discussed the three options with the Working Group. Option 3 was identified as the preferred approach.

Funding the Incremental General Operating Grant Adjustment

The following is the plan to source funds needed to increase funding to Programs below the Median Point:

1. Articulate a long-term commitment, perhaps as long as 5 to 10 years, to bring Programs currently below the Median Point to the Median Point, and a subsequent 5 to 10 year period to continue increasing funding to all Programs until full equity is achieved.
2. Annually, determine what can be directed towards the Incremental General Operating Grant adjustment. This could include:
 - a. Using some or all of the available Transformation Funding (2013 = \$248,091) and 75% of the Repairs and Maintenance Funding (2013 = \$72,928);
 - b. Reinvesting funds not utilized due to closures or downsizing of existing Programs.
Note - Please see "Special Situation" below;
 - c. Using Mitigation Funds not required elsewhere. *Note – This option is not consistent with the Child Care Service Plan strategic direction, which is that Mitigation Funds be prioritized to support Fee Subsidy or Special Needs Resourcing service delivery components that directly support children and families;*
 - d. Using a portion of any annual increases received from the Ministry of Education or CMSM sources. *Note – This option is not consistent with the Child Care Service Plan strategic direction, which is that funding increases be directed towards components that directly support children and families (i.e. Fee Subsidy and/or Special Needs Resourcing);*
 - e. Using a portion of any resources recovered through a reduction in Administrative Expenses. *Note – This option is not consistent with the Child Care Service Plan strategic direction, which is that funding increases be directed towards components that directly support children and families (i.e. Fee Subsidy and/or Special Needs Resourcing).*



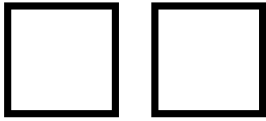
- 3. Special Situation - Programs currently receiving Wage Subsidy funding above the amount to which they are entitled - There are presently several Programs that have consistently received more Wage Subsidy funding than they are entitled to based on their historical submissions. Total amount of this over-funding is approximately \$56,000 per year. Staff will implement a plan to reduce funding to these Programs and to reinvest funds recovered towards the Incremental General Operating Grant adjustment. Operators falling into the Special Situation category will be advised as early as possible in 2013 about the reduction in funding, the amount and the timing of the reduction.



General Operating Grant Implementation plan

The following is the proposed plan to implement the General Operating Grant in 2014:

1. Eligible Programs are those that are licensed and operating by January 1, 2014.
2. Offer a Children's Services Funding Agreement to all Eligible Programs. All Operators that complete the Children's Services Funding Agreement, including acceptance of the four new conditions, will be eligible to receive General Operating Grant funding.
3. Operators that are operating by January 1, 2014 but that do not enter into a Children's Services Funding Agreement will have a six month period in which to reconsider. If no Children's Services Funding Agreement is completed within six months, the Operator will be excluded from future General Operating Grant eligibility.
4. As per the requirements of the new Children's Services Funding Agreement, operators will submit operating capacity and other information required by the Children's Services Funding Agreement by November 30, 2013. The updated operating capacity information will form the basis for calculation of the 2014 General Operating Grant eligibility for each Program. Eligible operators that do not submit the required information will have their General Operating Grant eligibility suspended until the information is received. If the information is not received within six months, future General Operating Grant eligibility will be eliminated.
5. Using the methodology described above, and within the limits of available resources, staff will determine the General Operating Grant funding for every operator, which will be paid by direct deposit monthly beginning in January 2014.



Funding Agreements with Service Providers

The London-Middlesex CMSM currently has a number of separate agreements through which funds are provided to the child care sector. These include Fee Subsidy Purchase of Service Agreements and Wage Subsidy Agreements that have not been updated for many years. Furthermore, as Wage Subsidy is no longer a supported funding mechanism, these agreements need to be replaced with an agreement that allows for funding through the Direct Operating Grant mechanism.

The CMSM has developed a new Children’s Services Funding Agreement. This agreement consolidates the existing over-lapping documentation and reporting requirements into one Master Agreement, with separate Schedules for each of:

- Fee Subsidy for licensed Day Nurseries, Private Home Day Care and Recreation Programs;
- Special Needs Resourcing; and
- Resource Centre Programs.

The new Children’s Service Funding Agreement incorporates additional expectations on most funded agencies with respect to the Program’s:

- Inclusion of children with special needs;
- Participation in a Quality Assessment and Improvement Program;
- Connection to professional associations and the existing Early Learning Networks in the community.

In 2014, the CMSM will transition Operators from the existing agreements to the new Children’s Services Funding Agreement. It is anticipated that it will take the full year to complete the changeover of the more than 60 agreements.



Schedules and Appendices

Appendix 1 - General Operating Grant Purpose

- The General Operating Grant (GOG) supports access to licensed child care programs for parents and children. This is accomplished by providing licensed child care providers with stable and predictable core funding in order to lower the overall cost of child care for all parents while maintaining a stable child care service delivery system.

- The General Operating Grant supports the provision of a quality child care program.

Implications

- *The new Children's Services Funding Agreement will require that all child care providers participate in a quality assessment and improvement program (QAIP) in order to receive GOG funding. The level of GOG funding could be tied to the assessment of the child care program's quality or its degree of participation in the QAIP.*
- *The CMSM will facilitate the development of the QAIP for implementation in 2014. The QAIP will be developed in partnership with the child care community.*
- *The QAIP needs to be efficient, appropriate, effective, simple, relevant and applicable across the spectrum of program philosophies.*

- The General Operating Grant supports the provision of inclusive child care. "Inclusive Child Care" means the provision of early learning and child care services to children identified as having special needs.

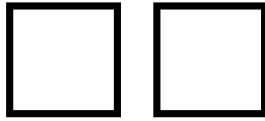
Implications

- *The new Children's Services Funding Agreement will require that child care providers submit annually their Policy on Inclusiveness.*
- *The CMSM will need to provide operators with an understanding of what it is looking for in this policy, how it will be monitored (if at all) and the implication to the Centres if not followed.*
- *The policy might include the provider's philosophy on inclusion; a statement on their capacity to provide service; the partnerships they have with support agencies; their provision of relevant PD opportunities for staff; and the policy's availability to parents.*

- The General Operating Grant facilitates the alignment of the child care service delivery system with the development of an integrated network of early learning and early childhood development opportunities for families.

Implications

- *The new Children's Services Funding Agreement will require that child care providers submit annually a statement on how are connected to and participate in local service planning and delivery networks and professional associations.*
- *The CMSM will need to provide operators with an understanding of what it is looking for in this statement – for example, participation in the CYN and/or MCCSN; Professional Development Networks; Child Care Advisory Committee; representation at Family Centres; use of central technology (1List), etc.*



Appendix 2 – General Operating Grant Principles

Parental Choice

- It is every parent’s right and responsibility to choose the licensed child care option that is best suited to her or his individual needs.

Collaborative Community Planning

- The General Operating Grant will be developed and implemented using a collaborative planning approach that involves the entire child care service delivery sector.

Eligibility

- The General Operating Grant **only** supports the provision of child care programs **licensed under the Day Nurseries Act.** Licensed child care programs include programs for children birth to 4 years old; Extended Day program for children attending Full Day Kindergarten; and Before and After School programs for children attending school. (The General Operating Grant does not support the provision of unlicensed child care programs; unlicensed recreation programs; Special Needs Resourcing; Resource Centres that do not include licensed child care; and School Board operated Extended Day programs.)
- With the exception of Extended Day programs, General Operating Grant Funding to support an expansion of the child care system will be considered only when funding equity has been achieved within the existing system. General Operating Grant Funding for new Extended Day programs will be provided as funding allows.
- Future General Operating Grant Funding for an expansion of the child care system will be focused on the non-profit sector and will be prioritized based on a number of factors, including quality, inclusiveness, system participation, neighbourhood need, auspice and long-term sustainability.

Equity

- The General Operating Grant Funding will equitably reflect the relative costs associated with providing service for each age group.
- The General Operating Grant will be based on elements and/or standards that do not vary from program to program.
- General Operating Grant Funding equity amongst child care programs will be achieved within a reasonable time frame. There will be an articulated plan relating to how and when this equity will be achieved.

Stability

- Decisions relating to the allocation of General Operating Grant Funding will take into consideration the impact the decision will have on the stability of the existing child care sector.

Sustainability

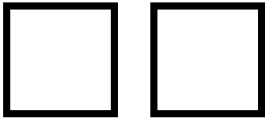
- General Operating Grant Funding allocations must be sustainable over the long term.

Accountability

- Child care providers are accountable for all funding they receive.

Process

- General Operating Grant Funding allocations will be effective and efficient.
- Elements and/or standards used in the calculation of the General Operating Grant will be understandable and relevant to the child care system.
- The General Operating Grant Funding will be transparent, understandable and predictable.
- All General Operating Grant methodology and all funding allocations will be communicated to all child care providers.
- The General Operating Grant funding formula will be flexible and reviewed regularly. The funding formula may be adapted and/or changed to reflect changes in Municipal and/or Provincial policy and legislation and/or significant changes in local system needs.



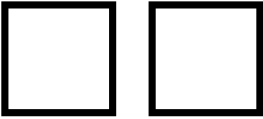
Appendix 3 – Points Per Space Calculation

Points							
<u>Centre Based Programs</u>							
		Age Group	Assumed Ratio	Spaces Per Staff	Staff/Space	Relative Staff Cost Ratio	Points per Space
		Infant	3.5:10	2.86	0.35000	5.25	42
		Toddler	1:5	5	0.20000	3.00	24
		Preschool	1:8	8	0.12500	1.88	15
		JK/SK	1:10	10	0.10000	1.50	12
		SK	1:12	12	0.08333	1.25	10
		FDK Before	1:10	10	0.10000	1.50	12
		FDK After	1:10	10	0.10000	1.50	12
		FDK Full Day	1:10	10	0.10000	1.50	12
		S. A. Before	1:15	15	0.06667	1.00	8
		S. A. After	1:15	15	0.06667	1.00	8
		S. A. Full Day	1:15	15	0.06667	1.00	8
		Lowest Staff to Spaces			0.06667		
		<u>Private Home Day Care</u>		Points	Dist %		Rel. Points
		Infant		42	12.0%		5
		Toddler		24	21.5%		5
		Preschool		15	60.5%		9
		JK/SK		12			
		FDK		12			
		School Age		8	60.0%		1
		Total					20.00



Appendix 4 – Worksheets to Calculate System Points

General Operating Grant Allocation										Budget Year 2013				
Centre Based Care														
Agency		Agency ID								Hours of Operation/Week Range Hours per week 1 - 9 hrs. 8 10 - 19 hrs. 4 20 - 39 hrs. 2 >39 hrs. 1				
Centre:		Centre Loc ID:												
System Incentive 1:														
System Incentive 2:														
General Operating Grant - Primary Program														
Age Group	Operating Capacity	X	Points per Space	X	# of Months Operated in Year	/	Hours/Week Range (chart above)	=	Points	X	\$ per point	=	General Operating Grant	
Infant		X	42	X	12	/	1	=	0.00	X	\$0.00	=	\$0.00	
Toddler		X	24	X	12	/	1	=	0.00	X		=	\$0.00	
Preschool		X	15	X	12	/	1	=	0.00	X		=	\$0.00	
JK/SK		X	12	X	12	/	1	=	0.00	X		=	\$0.00	
SK		X	10	X	12	/	1	=	0.00	X		=	\$0.00	
FDK Before		X	12	X	10	/	4	=	0.00	X		=	\$0.00	
FDK After		X	12	X	10	/	4	=	0.00	X		=	\$0.00	
SA Before		X	8	X	10	/	4	=	0.00	X		=	\$0.00	
SA After		X	8	X	10	/	4	=	0.00	X		=	\$0.00	
Total									0.00		Total		\$0.00	
General Operating Grant: Alternate Program														
Age Group	Operating Capacity	X	Points per Space	X	# of Months Operated in Year	/	Hours/Week Range (chart above)	=	Points	X	\$ per point	=	General Operating Grant	
Infant		X	42	X	0	/	1	=	0.00	X	\$0.00	=	\$0.00	
Toddler		X	24	X	0	/	1	=	0.00	X		=	\$0.00	
Preschool		X	15	X	0	/	1	=	0.00	X		=	\$0.00	
JK/SK		X	12	X	0	/	1	=	0.00	X		=	\$0.00	
SK		X	10	X	0	/	1	=	0.00	X		=	\$0.00	
FDK Full Day		X	12	X	0	/	1	=	0.00	X		=	\$0.00	
SA Full Day		X	8	X	0	/	1	=	0.00	X		=	\$0.00	
Total									0.00			Total		\$0.00
Grand Total									0.00					\$0.00
Entitlement												Grant		
Total Operating Grant			\$0.00					Total Annualized Grant			\$0.00			
System Incentive 1			\$0					Capping/Mitigation			0			
System Incentive 2			\$0					Adjusted Annual Grant			\$0.00			
Total Annualized Grant			\$0.00					Adjusted Monthly Grant			\$0.00			



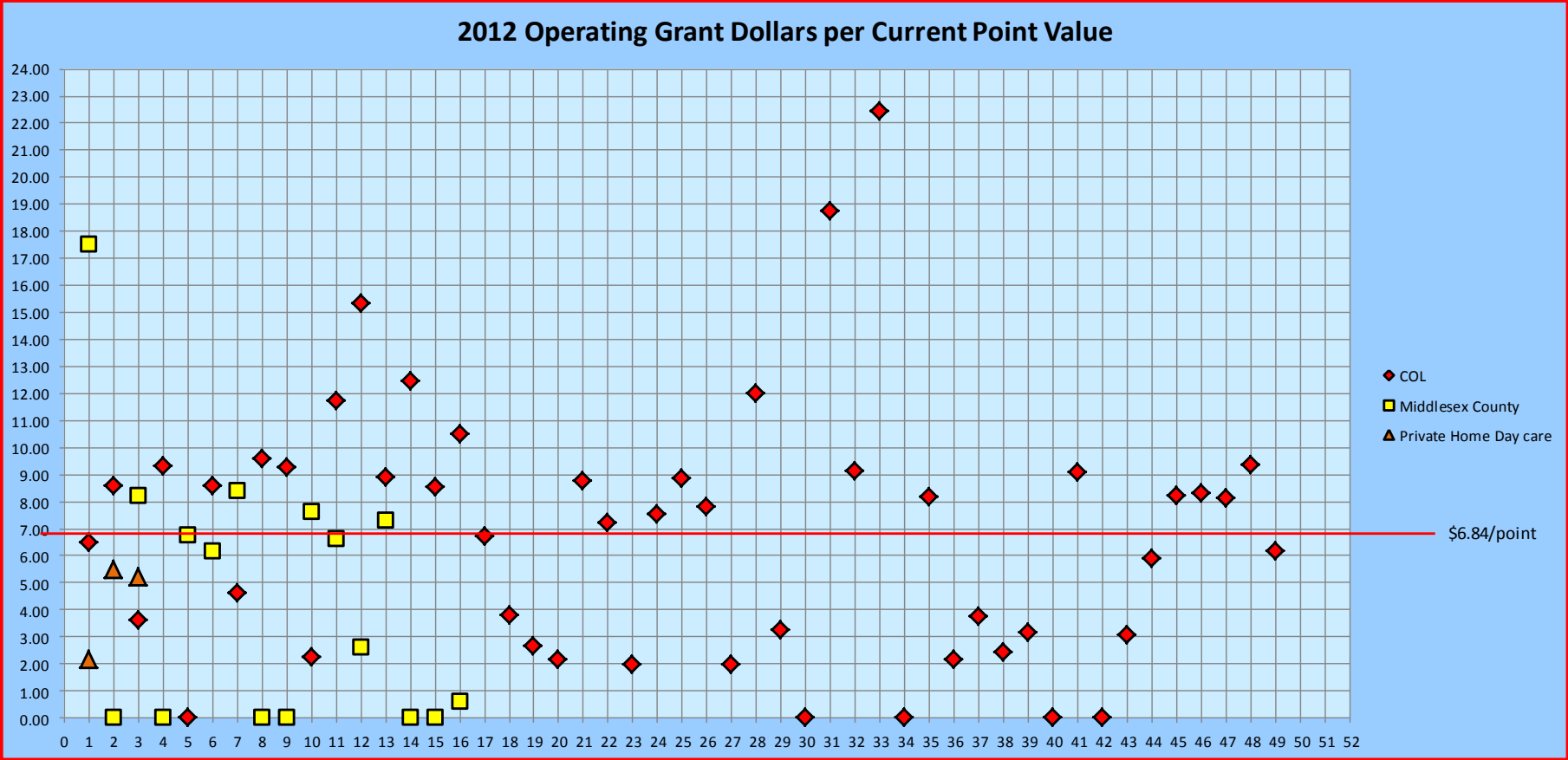
General Operating Grant Allocation - PHDC											Budget Year 2013		
Private Home Day Care													
Agency _____ Agency ID _____ : _____											Hours of Operation/Week Range		
											Hours per week	Range	
											1 - 9 hrs.	8	
											10 -19 hrs.	4	
System Incentive 1:											20 - 39 hrs.	2	
System Incentive 2:											>39 hrs.	1	
Option 1													
General Operating Grant (Agency Staff and Providers)													
No. of Operating Homes	Average Percentage of non-caregiver children	X	Points per Space	X	# of Months Operated in Year	/	Hours/Week Range (chart above)	=	Points	X	\$ per Point	=	General Operating Grant
	0%	X	20	X	12	/	1	=	0	X	\$0.00	=	\$0.00
	0%	X	20	X	12	/	2	=	0	X	\$0.00	=	\$0.00
	0%	X	20	X	12	/	4	=	0	X	\$0.00	=	\$0.00
											Total	\$0.00	
Entitlement								Grant					
Total Operating Grant								Total Annualized Grant					\$0.00
System Incentive 1								Capping/Mitigation					0
System Incentive 2								Adjusted Annual Grant					\$0.00
Total Annualized Grant								Adjusted Monthly Grant					\$0.00

Appendix 5 – Calculation of Value per Point

Value Per Point	
Total Available Funding	\$8,867,575.00
Total System Points	1,296,234.50
\$ per point	\$6.84

Note – The values represented in this Appendix reflect the CMSM’s available information about the Operating Capacity of all programs at the end of 2012. These values will be updated and re-calculated annually, and therefore can be expected to change.

Chart 1- Current Funding to Operators (expressed as \$/point)



Note – The values represented in this Appendix reflect the CMSM’s available information about the Operating Capacity of all programs at the end of 2012. These values will be updated and re-calculated annually, and therefore can be expected to change.