

## Report SSR-SS-08-15

**To:** Dwight Burley Chair and Members of Social Services Committee  
**From:** Kathy MacMurdo Children's Services Manager  
**Meeting Date:** May 13, 2015  
**Subject:** **New General Operating Grant Funding Formula for Child Care Operators**  
**Status:** Recommendation adopted by Committee as presented per Resolution SSC56-15; Endorsed by County Council June 2, 2015 per Resolution CC82-15;

### Recommendation(s)

**WHEREAS Grey County is the Consolidated Municipal Services Manager for child care services and is responsible for managing the child care system in Grey County;**

**AND WHEREAS the December 2013 Ontario Child Care Service Management and Funding Guidelines outlined the process that Consolidated Municipal Services Managers must follow in developing their General Operating Grant funding formula;**

**AND WHEREAS Grey County Social Services staff has recommended a funding formula to address the unique rural needs of Grey County;**

**NOW THEREFORE BE IT RESOLVED THAT SSR-SS-08-15 recommending a New General Operating Grant Funding Formula for Child Care Operators be received;**

**AND THAT Option 2 contained in the report for the recommended General Operating Funding Formula be approved effective January 1, 2016;**

**AND FURTHER THAT the Provincial Mitigation Funding Reserve be utilized for 2016, 2017, and 2018 to ensure child care operators do not receive less than the 2014 funding allocation.**

## Background

In December 2013 Ministry of Education announced the Ontario Child Care Service Management and Funding Guidelines for a new funding model to replace what was formerly wage subsidy and wage improvement funding.

The new funding model, the General Operating Grant, provides operating funds to assist child care centres to reduce wait times, stabilize per diem rates and service levels, and where funds allow, improve access to high quality affordable early learning and child care services. In essence, the program known as wage subsidy and wage improvement would be collapsed into the new program known as General Operating Grant.

Through the use of a consultant and discussion with child care operators, two options were considered to develop Grey County's General Operating Grant Formula.

In developing a new funding formula the following key factors were to be considered in its development:

- Stabilized Child Care Fees
- Retention of qualified staff and supportive of quality programming
- Alignment with Full Day Kindergarten Implementation and supportive to child care operators to expand programs for younger age groups
- Prioritized funding based upon child care licensed history, financial history and viability of programs.

In order to qualify for this program a child care operator is required to have a Purchase of Service Agreement with the County of Grey and be licensed by the Ministry of Education.

Under the new funding formula, funding can now only be applied to off-set salary costs that are over and above the operator's regulatory requirements for minimum wage and mandatory benefits paid in 2012. The remaining allocation can be applied to operational expenditures such as lease costs, occupancy costs, utilities, food, supplies, maintenance administration, transportation costs for children and other resources.

The recommended funding formula is calculated based on a point system. Child care providers will forward completed documents that reflect their specific programs, including aged related programming for infants, toddlers, and preschoolers, as well as licensed spaces, operating capacity and utilized operating capacity, for all of which points are assigned.

The primary calculation of the General Operating Grant uses the average actual operating monthly capacity from January – October, with an estimate of the November

and December operating capacity. The number of points per space was used to determine the total number of points (denominator) within the system.

### *Options Considered*

#### *Option 1*

This calculation included just points and the dollar value being assigned to each agency in comparison to the actual funding they received from the combined wage subsidy/wage improvement dollars, with no incentives.

#### *Option 2*

This calculation included a point calculation similar to Option 1, but also provided incentive funding, based on certain criteria: whereby if an operator was licensed for infants, a flat amount of 5000 dollars was included, and additionally if a provider was considered a rural provider, 3000 dollars were allocated.

Staff is recommending Option 2 as it recognizes the unique nature of various challenges that providers face when services are offered in the rural communities with less children to draw from, and for programs such as infants, where more staff are mandated to be on site than for older children, therefore expenditures are higher. This option is being recommended by staff as it provides a fair, equitable and transparent distribution of funds and recognizes the unique needs of rural Grey County.

### **Financial/Staffing/Legal/Information Technology Considerations**

To assist child care operators to adjust to this new recommended funding formula and to stabilize the child care system in Grey County, staff is recommending that provincial mitigation reserve funding be used to ensure that no operator receives less than their 2014 funding allocation. The mitigation reserve fund as of December 31, 2014, totals \$1,702,311 and staff is recommending that these funds be utilized for the 2016, 2017, and 2018 budget years. Therefore, effective January 1, 2019, the exact amount that the calculation states the operator should receive will then be paid out. The three time period provides the operators to become familiar with calculation process and the potential impact. The total allocation per year is estimated to be \$144,116 for the next three years, for a combined total \$432,348.00 from the mitigation funding reserve.

Staff will undertake yearly reviews with child care operators to discuss their business plan in dealing with their expenses and marketing ideas. This process provides operators time to implement and adjust to the new funding formula to ensure sustainability.

On April 13, 2015 staff and the consultant presented these options and the detailed business forms, for implementation January 1, 2016, to attending Grey County child care operators. An in-depth discussion regarding the overall process and expectations took place, with further questions presented by the operators at this community meeting to be addressed.

## Link to Strategic Goals / Priorities

Grey County Social Services continues to support community child care agencies adhering to the most cost effective means of delivering necessary range of social services.

## Attachments

- General Operating Grant Guideline February 2015

Respectfully submitted by,

Kathy MacMurdo,  
Children's Services Manager

Director Sign Off: *Barb Fedy, Director of Social Services*

## GENERAL OPERATING GRANT GUIDELINE

1. The **purpose** of the Grey County General Operating Grant is as stated in the *Ontario Child Care Service Management and Funding Guideline*.

The General Operating Grant is to be used by child care operators to support the costs of operating licensed child care programs in order to reduce wait times and fees for services, stabilize service levels, and where funds allow, to improve access to high quality affordable early learning and child care services for children and their families.

2. The following **policy** has been adopted by the Grey County Children's Services in accordance with and/or as recommended in the Ministry of Education's *Ontario Child Care Service Management and Funding Guideline*.

General Operating Grant funding may be provided to non-profit and for-profit child care programs for ongoing costs including: staff wages and benefits, lease and occupancy costs, utilities, administration, transportation for children, resources, nutrition, supplies, maintenance, etc.

Any child care program operating in Grey County that is licensed by the Ministry of Education and that holds a Fee Subsidy Agreement with the County of Grey is eligible for General Operating Grant funding.

### **The policy will be applied in the following manner:**

- Child care programs must demonstrate to Grey County Children's Services that they are able to meet their minimum wage and mandatory benefits requirements without General Operating Grant funding in order to qualify for funding e.g., that other revenue sources are used to meet minimum wage and mandatory benefit requirements. For example, if the Ontario minimum wage is \$11.00 per hour and a program is paying its RECE's \$14.00 per hour, the General Operating Grant can only be allocated to the \$3.00 difference.
- Child care programs should use the General Operating Grant funding to support a stable ongoing operating and wage base rather than allocation as lump sums.
- Child care operators must promptly report any significant reduction in service levels and/or staffing that is not of a temporary nature to Grey County Children's Services. In such instances, the General Operating Grant funding may be adjusted.
- In the event of a service closure, unspent or surplus funds are to be refunded to Grey County Children's Services unless prior approval have been given by Grey County.
- Child care programs must track their operating capacity on a monthly basis. The actual monthly operating capacity for January through to June must be submitted by July 15<sup>th</sup> of each year. Monthly figures for July through October must be submitted by November 15<sup>th</sup> of each year.

- General Operating Grant funding will be calculated in November of each year for the coming year using the average actual monthly operating capacity from January to October and the estimated monthly operating capacity for November and December. Should the November and December actual operating capacity vary significantly from the estimates, an adjustment would occur. NOTE: Operating capacity is defined as the number of children the program is staffed for on an ongoing basis.
  - General Operating Grant incentive funding may be provided to those program sites who meet one or more of the following criteria: licensed for infants and/or situated outside of Owen Sound municipal boundaries.
  - Programs may carry three months operating reserve generated from any revenue source save and except the General Operating Grant. In other words, program fees, fundraising, etc. may be used to maintain the operating reserve. Any amount over and above three months operating reserve must be approved by Grey County Children's Services. Programs must provide Grey County Children's Services with their Board policy with respect to the operating reserves.
  - Should a child care program receive a decrease in funding as a result of the new local funding framework, Grey County Children's Services will provide mitigation funding for 2016, 2017 and 2018 up to the amount of wage subsidy/wage improvement the program received in 2015. If the decrease in funding is as a result of a decrease in operating capacity, mitigation funding will be adjusted accordingly. The provision of mitigation funding beyond 2018 will be reviewed on an annual basis.
  - Grey County Children's Services will provide child care operators with 1/12 of their annual entitlement each month. Adjustments will be made as necessary, subject to available funds.
- 3. Funding principles were developed using those identified in the *Ontario Child Care Service Management and Funding Guideline* as a starting point. The Grey County principles are intended to identify operating priorities while balancing local needs.**
- A. *Transparency* – Decisions made with respect to the provision and funding of services will be made in a transparent manner.
  - B. *Efficiency* – The allocation of funds and child care programs' reporting requirements will be simplified and streamlined.
  - C. *Flexibility* – Funds will be allocated in a flexible manner to better meet the local needs of children, families and child care programs and to improve child and service outcomes.
  - D. *Quality* – The community will be assisted in moving forward towards a high quality, accessible and coordinated child care system.
  - E. *Accountability* – The County of Grey and child care programs are accountable to the community and to the Ministry of Education for the services they provide and for the funding they receive.
  - F. *Sustainability* – Funding will be allocated in such a way as to sustain the local child care system.
  - G. *Stabilization* – Funding will assist in stabilizing child care fees and retaining qualified child care staff.

By adhering to the stated funding principles, it is anticipated that the following key considerations will be addressed:

- The existing child care system will be transformed (Early Learning Framework) and stabilized to continue the provision of quality, consistent programs and services;
- Parents will have access to a seamless child care system;
- Programs serving children with special needs, Aboriginal children and Francophone children will be supported;
- Child care fees will be stabilized; and
- The licensed child care system will continue to be staffed by qualified individuals who demonstrate best practices in the early learning and care field.

5. **The reporting requirements will be outlined in the Service Agreement. For example the Provider Budget Submission package requires the following three submissions for 2015:**

Submission #1	2015 actuals and estimates/budget for the upcoming year due Feb. 15, 2015
Submission #2	June 30 <sup>th</sup> actuals due Aug. 1, 2015
Submission #3	December 31 <sup>st</sup> actuals due March 1, 2016

If an agency has an audited financial statement prepared, this statement should be provided to Grey County.

**Several funding approaches were considered and reviewed:**

- Capacity - licensed and operating
- FTE staff complement – all staff and staff by position
- System incentives
- Maximum allocation – operator budget and rate charged to parent

A primary funding approach was adopted that was based on the average actual monthly operating capacity of the previous calendar year. The operating capacity approach includes:

- Licensed operating capacity for each age group of children served by the program;
- Hours of operation; and
- The number of months the program operates annually.

This approach recognizes the fact that the main expense in operating a child care program is staffing costs and that staffing for younger age groups is at a higher cost due to required ratios.

The advantages of this approach are:

- The approach is easy to understand
- Operators are able to project and plan
- Administration and reporting is simplified

General Operating Grant incentive funding will be used to further recognize the cost of infant care. Incentive funding will also be provided to those program sites situated outside of the Owen Sound municipal boundaries.

In those instances where a program meets one or more of the criteria for incentive funding and yet operates less than 2,340 hours per year, the amount of its incentive funding will be prorated to reflect the program's hours of operation.

**Primary Calculation**

- i. **The average actual monthly operating capacity for the previous calendar year of all licensed centre based programs was recorded on a funding formula spreadsheet. The average actual monthly capacity was calculated in November using the January to October actual operating capacity and an estimate of the November and December operating capacity.**
- ii. **The General Operating Grant primary funding calculation is a modification of the formula used for calculating the Direct Operating Grant portion of Wage Subsidy which has been in use since 1988.**

$$\frac{\text{Operating Capacity} \times \text{Rate} \times \text{Months Operating in a Year}}{\text{Range (Hours of Operation)}} = \text{Total Points}$$

- iii. **The estimated number of points per space was used to determine the total number of points in the system.**

Age Group	Utilized Operating Capacity	Rate	Estimated Points per Age Group
Infant	29	42	14,616
Toddler	175	24	50,400
Preschool	352	15	60,630
JK/SK	148	12	9,672
School Age	1,045	8	31,240

- iv. **The Range (Hours of Operation) was calculated as follows:**

1-9 hours per week = 8  
 10-19 hours per week = 4  
 20-39 hours per week = 2  
 More than 39 hours a week = 1

- v. **The estimated dollar amount per point was arrived at by dividing the available General Operating Grant minus the incentive funding amount, by the total number of points in the system.**



Estimated General Operating Grant Amount	\$1,161,065
Estimated Total points	166,558
Estimated Dollars per point	\$ 6.98894

The General Operating Grant, the total points and/or the dollar amount per point will change in response to system pressures and priorities.

**Incentive Calculation**

\$5,000 was provided to each program site that was licensed to care for infants. In addition, \$3,000 was provided to each program site that was situated outside of the Owen Sound municipal boundaries.

Incentive funding was prorated for program sites that operated less than 2,340 hours per year (nine hours a day, 52 weeks a year). For example, if a program site operated 2.5 hours per day, five days a week, ten months of the year, they would be allocated 23% of the amount for each criterion it met.

**vi. Future Considerations:**

If there is a decrease in the operating capacity, months or hours of operation, the amount of General Operating Grant funding will decrease. If there is an increase in the operating capacity, months or hours of operation, the amount of General Operating Grant may increase, subject to available funding.

Other factors that may impact the amount of the General Operating Grant include an increase or decrease in the licensed capacity within the local child care system, an increase or decrease in the demand for fee subsidy and/or other community priorities.