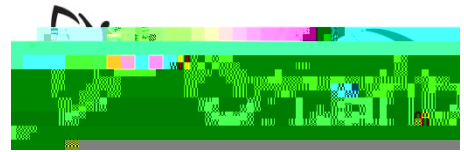


Ministry of Education





framework and transparent funding formula for child care in Ontario. Ministry staff along with municipal members of the CCFFWG focused on the following broad objectives to guide the development of the new funding formula and funding framework:

Efficiency : Informed by evidence and experience to address inequities in current funding allocations and distribute and simplify funding to maximize its impact on the sector;

Responsiveness : Based on up-to-date data, allows for changes in the sector, and responds to the need for services;

Predictable and Transparent : Service managers are able to estimate their future years budgets with a reasonable degree of confidence;

Quality : Support consistency in approach, access for families and provides high quality programs for children/operators; and

Accountability : Use enveloping and reporting requirements which support funding objectives.

These broad objectives were instrumental in guiding the development of a new funding formula which is transparent and evidence-based, and relies on publicly-available data to drive an equitable funding allocation to child care service managers across the province.

A similar series of guiding considerations were developed by the CCFWG to address the potential impacts of a new funding formula on municipal budgets. They included an understanding that:

The intention of the new funding formula is neither the uploading nor the downloading of child care responsibilities between the Province and the municipal sector;

The ministry would avoid transferring known financial risks to service system managers; and

The ministry would make efforts to mitigate any redistribution of funds among

and, under Ontario's new child care funding formula, determine 93% of provincial child care funding provided to CMSMs/DSSABs<sup>1</sup>.

The key data elements include:

Child Population (0 to 12 year olds) from Statistics Canada and Ministry of Finance which assesses the demand for licensed child care services across the province;  
Demographic changes to measure demand for fee subsidies, such as Low Income Cut Off (LICO), Level of Education Attainment and Ontario Works Caseload data; and  
Demographic changes to measure demand for other child care cost drivers, such as cost of living indicators, aboriginal population data, French speaking populations and populations which have no knowledge of either official language, and measures related to rural and remote communities.

As a result of the extensive use of publicly available data, CMSMs/DSSABs will have the capacity to more easily anticipate future funding. This is another very significant benefit of the new funding formula for CMSMs/DSSABs, in support of your work leading and conducting multi-year service planning in your communities.

The CCFFWG reviewed many data elements ultimately choosing the ones that were felt to best predict the key cost drivers. Additional details regarding data elements can be found in the 2013 Child Care Funding Technical Paper at [http://faab.edu.gov.on.ca/CCMemos\\_2012.htm](http://faab.edu.gov.on.ca/CCMemos_2012.htm).

The technical paper details the data sources, allocation calculations and rationale for all the allocations in the funding formula. Table A to this memorandum shows the formula driven funding allocations for all CMSMs/DSSABs. It is a clear demonstration of the commitment to ongoing evidence-based transparency that accompanies the introduction of Ontario's new child care funding formula and framework.

#### Funding Formula Structure

In 2013, \$922.1 million in ongoing funding will be allocated under Ontario's new funding formula for child care to CMSMs/DSSABs. The new funding formula includes three main allocation components: Core Services Delivery, Special Purpose, and Capital.

The majority of the funding – \$718.4 million in 2013 (or 78% of total funding) – will be allocated via the Core Services Delivery Allocation. The purpose of the Core Services Delivery Allocation is to support the availability of licensed child care for all parents through General Operating Grants, to support Pay Equity obligations, and to assist eligible families with access to licensed/accredited child care and early childhood education programs through the provision of fee subsidy and special needs resourcing supports.

The Special Purpose Allocation is in response to the unique costs of providing services in certain areas and to certain target populations. The Special Purpose Allocation includes the eight components listed below and is projected to be \$193.2 million in 2013 (or 21% of total funding):

Rural/Remote Component – \$28 million,

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<sup>1</sup> The remaining 7% of provincial funding is driven by Ontario Works caseload data (4%) and CMSM/DSSAB spending patterns (3%).

Language Component – \$50 million,  
FDK transition Component – \$38.5 million,  
Transformation Component – \$7.5 million,  
Cost of Living Component – \$30 million,  
Aboriginal Component – \$2 million,  
Capacity Building Component – \$5 million,  
Repairs and Maintenance - \$2.2 million, and  
Utilization Component – \$30 million.

In addition, the ministry will continue to provide funding to support Small Water Works (\$0.4 million) and Territories without Municipal Organization (\$1.3 million). Expenses under these allocations are claims based and funding has been allocated to eligible CMSMs and DSSABs.

The Capital Allocation is provided to assist CMSMs and DSSABs in maintaining and improving child care infrastructure in the province and is projected to be \$8.8 million in 2013 (or 1% of total funding envelope) in 2013. The Capital Allocation will support capital retrofits to allow operators to re-purpose existing community-based centres to serve younger age groups.

Above and beyond the funds allocated through Ontario's new funding formula, the Province is also allocating a total of \$50 million in one-time mitigation funding as one key tool to address the near term impacts of funding changes and support the transition to the new funding approach.

This means that in 2013 Ontario is allocating approximately \$972 million in total funding to CMSMs and DSSABs for child care. This compares to 2012, when \$853 million in funding was allocated to CMSMs and DSSABs.

#### Transition to the New Funding Formula

In July of 2012, we sent you a memorandum, which noted, "The new investment for fiscal year 2012-13 includes one-time funding of \$50 million which is intended to mitigate the potential impact of a new funding formula on individual CMSMs/DSSABs, by reducing year over year decreases for some CMSMs/DSSABs that may result from the redistribution of funds as the new formula is implemented" (ELCC8: New 2012 Child Care Funding).

This funding, along with additional strategies informed by the advice of the CCFWG, are permitting the introduction of a new funding formula in a measured way, that allows communities to plan for the changes ahead. Moreover, as a result of these strategies, no CMSM or DSSAB will actually experience a change in funding levels for almost four years. In fact, as a result of the combined effect of mitigation strategies, mitigation funding and an increase in ongoing funding for child care, all CMSMs and DSSABs will see increases in total funding allocations in 2013.

In addition, all new funds are being invested in the formula by the Province as 100% provincial contributions. This is consistent with the approach the government has pursued in providing new child care funding since 2003 without requiring any municipal cost share. The dollar value of CMSMs/DSSABs minimum required cost shares remain the same as they were in 2012, or they are reduced.

These results have been <</itsgation tools to reduce redistribution impacts among CMSMs and DSSABs, building on the guiding considerations developed in the CCFWG and described above.



The expenditure benchmark for Special Needs Resourcing shall not represent an amount less than 4.1% of the CMSMs or DSSABs total allocation. CMSMs or DSSABs may spend over and above the 4.1% minimum on SNR should the demand for SNR services be prevalent. The minimum expenditure requirement will be noted in the budget schedule in the 2013 contract. The ministry will continue to monitor expenditures for these two program categories.

#### Simplified Funding Framework

The new funding framework opens up flexibility for CMSMs/DSSABs to use funding to meet provincial objectives, consistent with their local service plans and community needs.

Overlapping funding lines have been eliminated and reporting between the Province and CMSMs/DSSABs is being simplified and streamlined. We expect a significant reduction in the number of data elements CMSMs/DSSABs will report to the Province. In addition, the improved reporting and data collection will also strengthen accountability.

Antiquated and inflexible requirements that limited CMSMs/DSSABs ability to flow funds directly to operators with complex wage subsidy rules and calculation requirements have been eliminated. These have been replaced by a new General Operating Allocation framework that provides more flexibility and can be used to address local priorities and challenges including the sustainability of child care for younger children.

While this increased flexibility has been introduced, it is understood that during a year of transition to the new funding framework, many CMSMs/DSSABs may wish to use prior program rules or guidelines to assist in the calculation of funding supports to child care operators. The new framework is flexible enough to permit such an approach, if desired, while CMSMs/DSSABs develop new local policies to align with the General Operating Allocation.

#### Child Care Service Agreement and Guidelines

Additional details on the new funding formula are available in the consolidated 2013 Child Care Service Management and Funding Guideline. This guideline is a consolidation and revision of previously existing child care guidelines and will support CMSMs and DSSABs with the implementation of the new funding framework. The guideline will be treated as a working document throughout the 2013 transition year. As your feedback is important to us, CMSMs and DSSABs will have the opportunity to share their input on the new guideline in the New Year.

The new guideline can be found at <http://faab.edu.gov.on.ca/CCGuidelines.htm>

CMSMs and DSSABs will receive their 2013 Child Care Service Agreement as well as detailed information on next steps for the 2013 child care contracting process under a separate memorandum within the next few days.

#### Support and Resources

In support of the introduction of Ontario's new funding formula and funding framework for child care, the Ministry of Education is holding a webinar at 1:00 pm today, December 18, 2012. You will have received an invitation by email to participate. If you are unable to do so, or if you wish to refer to the webinar again, the webinar and slide presentation will be posted on the ministry website as an additional resource. Your Child Care Advisor will be available to provide you with support and will be following up with you shortly to discuss any questions that you may have about the new 2013 child care funding formula and framework.

Thank you for your cooperation. The ministry will continue to consult with municipal partners on a quarterly basis to update the funding formula and funding framework as required. We look forward to a continued collaborative relationship with our municipal child care partners as we implement this important change.

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Gabriel F. Sékaly, Assistant Deputy Minister, Elementary/Secondary Business and  
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