

**CITY OF HAMILTON**

**COMMUNITY SERVICES DEPARTMENT**  
**Social Development & Early Childhood Services**

<b>TO:</b> Chair and Members Emergency & Community Services Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> March 25, 2013	
<b>SUBJECT/REPORT NO:</b> Ministry of Education Early Years and Child Care Policy and Funding Announcements (CS13016) (City Wide)	
<b>SUBMITTED BY:</b> Joe-Anne Priel General Manager Community Services Department	<b>PREPARED BY:</b> Jane Soldera (905) 546-2424 x 2399
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the City of Hamilton accept the additional 2013 Child Care base funding in the amount of \$3,343,306 from the Ministry of Education; and,
- (b) That the General Manager of Community Services be authorized to execute the 2013 Child Care Service Agreement with the Ministry of Education, in a form satisfactory to the City Solicitor.

**EXECUTIVE SUMMARY**

Over the past months the Ministry of Education has made three significant early years and child care announcements that are of particular relevance to the City of Hamilton as the Consolidated Municipal Services Manager (CMSM) for child care.

The announcements include:

- School-First Child Care Capital Retrofit Policy
- Ontario's New Child Care Funding Formula and Funding Framework
- Ontario Early Years Policy Framework

Collectively these announcements signal the next phase in the Provincial government's reform of the early years and child care systems. Key to the announcements is new capital funding for school boards to retrofit child care programs in schools, a new child care operating funding formula resulting in an additional approximate \$3.3 million for the City of Hamilton in 2013, a new funding framework to guide how municipalities will fund local child care programs, and indication from the Ministry regarding the next steps it intends to take in continuing the transformation of early years in Ontario.

These announcements will require the City to develop:

- a) an interim plan with recommendations to Council regarding allocation of the additional \$3.3 million child care operating funding received for 2013; and,
- b) a new local child care funding model with targeted implementation in 2014.

Throughout the planning process staff will be engaging key stakeholders and partners to ensure that local system priorities and issues are confirmed and will continue to consult with the Ministry of Education and other Municipalities to ensure that emerging provincial information and best practices are integrated into the local planning process.

The City is well positioned to undertake this work given the recent completion of the City of Hamilton's Early Years Community Plan which was developed in partnership with Hamilton's Best Start Network

Staff anticipates returning to Council with the first of a series of subsequent reports no later than June 2013.

***Alternatives for Consideration – Not Applicable***

<b>FINANCIAL / STAFFING / LEGAL IMPLICATIONS</b>
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**Financial:**

\$3,343,306 of new child care funding has been received from the Ministry of Education. These funds are 100% Provincial. Staff are developing a plan in consultation with key

stakeholders to address local child care pressures, and will return to Council later in the year with recommendations regarding allocation of these funds.

**Staffing:**

Staffing impacts related to these announcements are still to be determined.

**Legal:**

The 2013 Child Care Service Agreement has been received from the Ministry of Education and has been forwarded to Legal Services for review. Once approval is received from Legal Services and the City of Hamilton 2013 Budget approved, the agreement will be executed.

## **HISTORICAL BACKGROUND**

The Government of Ontario continues to transform the early years and child care systems to better meet the needs of Ontario's children aged 0-12 years. Since staff last provided an update to Council in September 2012 (Update on Early Learning and Child Care: Child Care Modernization (CS12032), the Ministry of Education (the Ministry) has made three significant early years and child care announcements.

### ***School-First Child Care Capital Retrofit Policy - Funding and Implementation***

On November 8, 2012<sup>1</sup> the Ministry announced the School-First Child Care Capital Retrofit Policy (funding and implementation). This policy and related funding is intended to support:

- a) the conversion of school based child care spaces currently serving four and five year olds into spaces that can serve younger children; and,
- b) creation of opportunities for child care operators in community based locations to relocate to schools.

### ***Ontario's New Child Care Funding Formula and Funding Framework***

On December 18, 2012<sup>2</sup> the Ministry announced:

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<sup>1</sup> <http://www.edu.gov.on.ca/eng/policyfunding/memos/nov2012/2012EL4.pdf>

<sup>2</sup> [http://faab.edu.gov.on.ca/Memos/CC2012/ELCC\\_15.pdf](http://faab.edu.gov.on.ca/Memos/CC2012/ELCC_15.pdf)

- A new funding formula to equitably allocate provincial child care funding to municipalities as local Consolidated Municipal Service Managers (CMSMs) for child care.
- The 2013 annual funding allocations for each municipality.
- A new funding framework to guide how municipalities:
  - a) will fund the child care system in their communities; and,
  - b) will be required to report expenditures and service targets.

Staff advised Councillors of this particular announcement prior to year end via e-mail and indicated that a report would be forth-coming once more details were made available.

### ***Ontario Early Years Policy Framework***

On January 23, 2013<sup>3</sup>, the Ministry released the Ontario Early Years Policy Framework which has set out the Provincial vision, over-all direction, and next steps including timelines for remaining work to be done to complete the development of a complete early years and parenting support system across the province.

#### **POLICY IMPLICATIONS**

None

#### **RELEVANT CONSULTATION**

Staff has consulted extensively with the Hamilton-Wentworth Catholic District School Board and the Hamilton-Wentworth District School Board with respect to the boards' submissions of the year one School-First Child Care Capital Retrofit plans. As a result, the plans reflect key inputs from, and alignment with the City of Hamilton Early Years Community Plan. Further joint planning will ensure the capital retrofits will not result in an over-all operating pressure for the municipality as system manager of the local child care system.

With respect to the new funding formula and framework staff have consulted on a number of occasions with Ministry staff and with colleagues from other municipalities. The purpose of these consultations is to further over-all understanding of the new policies, and to identify implementation issues and challenges. A number of

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<sup>3</sup> [http://www.edu.gov.on.ca/eng/policyfunding/memos/jan2013/MinisterTarget\\_EarlyYears.pdf](http://www.edu.gov.on.ca/eng/policyfunding/memos/jan2013/MinisterTarget_EarlyYears.pdf)  
OEY Policy Framework - <http://www.edu.gov.on.ca/childcare/OntarioEarlyYear.pdf>

municipalities have expressed interest in working together to develop and test new funding tools and system business models.

Staff continues to share information and seek input regarding the new provincial announcements and the local impact from the Best Start Network and other stakeholders including the CMSM Child Care Working Group. Doing so has ensured that staff receives input from both the broader early years sector and the child care specific sector.

## **ANALYSIS / RATIONALE FOR RECOMMENDATION**

### ***School-First Child Care Capital Retrofit Policy***

As full day junior and senior kindergarten progresses towards full implementation by September 2014, four and five year old children are continuing to transition from child care to attending school full time. The Ministry is committed to supporting child care programs as they adjust to this change. A three year capital investment of \$113 million (100% provincial) is being provided to school boards across the province to retrofit school based child care spaces that currently serve four and five year olds to be re-licensed for children from newborn to three point eight years of age. The Ministry views this investment as a foundational component of the 'modernization' of child care and a key feature of its 'schools first' approach to early years. This approach was first introduced by the Province in 2005 as part of its Best Start Initiative, and later endorsed by Dr. Charles Pascal, Special Early Years Advisor to the Premier.

The retrofit capital investment, unlike the Best Start child care capital investments in 2006, is not about expanding the current child care system; rather it is about converting existing spaces to provide a greater percentage of spaces across the system for younger children. The investment of these capital dollars is not to result in an over-all operating pressure for the municipality as system manager of the local child care system.

The policy has two thrusts:

- To convert existing child care programs or available space in schools to serve children from newborn to three point eight years of age (priority for the 2012/2013 school year)
- To create opportunities for child care operators in community based locations to relocate to schools (targeted for later in the three year capital project)

The three year capital funding allocations for local school boards includes:

- Hamilton-Wentworth Catholic District School Board \$2,909,000

- Hamilton-Wentworth District School Board \$2,439,800.

School boards have been directed by the Ministry to work closely with their co-terminus boards and their local municipality to develop a local plan for the capital retrofits together. Departmental staff have worked with the Hamilton-Wentworth Catholic District School Board and the Hamilton-Wentworth District School Board since November 2012 to complete and submit the year one retrofit plan to the Ministry on February 8, 2013. The City of Hamilton Early Years Community Plan (Report CS13002) which was presented to Council in January 2013 provided key inputs into the capital retrofit planning process. Staff will continue to work closely with the Boards of Education to support implementation of year one funding and to plan for year two and three investments within the context of the City of Hamilton Early Years Community Plan.

### ***Ontario's New Child Care Funding Formula and Funding Framework***

Historically the provincial child care funding formula and framework were outdated and unreflective of demand and changing demographics across the province. Reporting requirements of municipalities were inefficient, complex and administratively challenging.

The new provincial funding formula reflects a more transparent and evidence based approach to the equitable distribution of child care funds to communities across the province. The formula takes into account a number of key data elements to determine allocations including:

- Child population (0-12 years) to assess demand for child care;
- Demographic data to assess need for fee subsidies (data includes Low Income Cut Off (LICO), level of educational attainment, Ontario Works caseload data); and,
- Demographic data to measure demand for other child care cost drivers such as cost of living indicators, Aboriginal population data, French speaking populations, populations that have no knowledge of either official language and measures related to rural and remote communities.

In 2013, \$922.1 million in on-going Provincial child care base funding has been allocated in accordance with this new funding formula. As a result, some municipalities have experienced a reduction in their annualized base funding while others have received an increase. The City of Hamilton received an increase of approximately \$3.3 million base funding.

**City of Hamilton Child Care Budget\***

<b>Budget Year</b>	<b>Total Gross Budget</b>	<b>Provincial Share</b>	<b>Municipal Share</b>
2012	41,627,816	36,034,250	5,593,566
2013	44,971,122	39,377,556	5,593,566

\* Excluding one time funding

The new funding is 100% Provincial. No new municipal cost sharing is required from municipalities in order to access the new provincial funding.

Those municipalities whose base funding was reduced have received a one time mitigation grant (in total \$50 million province wide) to assist them to transition or adjust to their new base funding allocation. Therefore, in total the provincial 2013 allocation to municipalities for child care in 2013 is approximately \$972 million (including the one time mitigation funding); this is an increase of approximately 14 % over the 2012 total provincial level of \$853 million.

The December 2012 announcement also included the introduction of a new funding framework and guidelines to streamline and simplify reporting requirements and to provide municipalities more flexibility to meet provincial requirements while also responding to local needs. In particular the Ministry anticipates that this change will increase municipalities' capacity to meet the following system challenges:

- a) the need to stabilize child care which has been negatively impacted by the implementation of full day junior and senior kindergarten through mitigating closures of child care programs;
- b) the current demand for service; and,
- c) the need to increase service stability and access for both full fee paying and subsidized families.

The framework and guidelines present a radical change to how municipalities are funded and how flexibility has now been created to address the challenges identified above and meet local community needs. On the 'surface' the budget and accompanying framework may seem simpler and more flexible, however further analysis of the new framework and guidelines continues, in consultation with Ministry staff.

It is understood by the Ministry that 2013 will be a transition year for the new funding formula and framework. The new framework is flexible enough to permit municipalities to continue to use the current guidelines to fund child care operators while they develop new local approaches to funding and corresponding policies with implementation targeted for 2014. The Ministry has struck a joint provincial/municipal child care funding

working group to identify and resolve implementation issues and challenges. Province wide and regional meetings with Municipalities will also be hosted by the Ministry to seek input and provide implementation guidance. The Ministry fully expects that the new funding framework and formula issued in December 2012 will be revised throughout the up-coming months as it works through implementation issues in partnership with municipalities.

### ***Ontario Early Years Policy Framework***

The *Ontario Early Years Policy Framework* released on January 23<sup>rd</sup> signals the Ministry's on-going commitment to reforming the early year's system. While much has been accomplished since the introduction of Best Start in 2005 there is still fragmentation across the system and gaps in service for children and families. The release of the Framework is significant in that it charts the government's course for reform of the remainder of the early system beyond implementation of full day junior and senior kindergarten. With the release of this framework the government also announced that all remaining early years funding that had previously flowed from the Ministry of Children and Youth Services to municipalities and sector service providers would be transferred to the Ministry of Education.

The policy framework includes the Province's Vision for Early Years;

"Ontario's children and families are well supported by a system of responsive, high-quality, accessible, and increasingly integrated early years programs and services that contribute to healthy development today and a stronger future tomorrow."

The Provincial framework identifies the following principles that will guide future planning and implementation:

- Programs and services are centred on the child and family
- Programs and services are of high quality
- Strong partnerships are essential
- Programs and services are publicly accountable

Priorities for Provincial action over the up coming years include:

- Continuing the implementation of full day junior and senior kindergarten with 100% implementation achieved by September 2014
- Creating an effective approach to implementing Best Start Child and Families Centres by September 2014
- Improving the delivery of speech and language services by re-engineering the existing system that is currently delivered through five programs under three Ministries
- Stabilizing and transforming the child care system

The Early Years Framework underscores the importance of strong and sustainable partnerships and collaboration in building the new early years system across the Province. Further the Framework provides more clarity to municipalities regarding their role in the early years system. Specifically municipalities:

- Act as systems managers to plan and deliver community based early years programs and services
- Are seen as local experts who provide leadership to local service providers, school boards and community partners
- In many cases guide local planning tables

### ***Summary and Next Steps***

The City of Hamilton is well positioned to move forward with its key partners and stakeholders to plan together to determine how to best allocate existing and new funding in meeting the needs of children and families in our community. The three year City of Hamilton Early Years Community Plan and the forthcoming Implementation Strategy will provide the ground work for the development a new child care funding model in our community and will position the City to play a leadership role in the on going transformation of the local early years system.

Currently Hamilton like many other municipalities is experiencing pressures across the entire child care system including a waitlist for child care fee subsidies, wage subsidy pressures, per diem pressures for service providers, capital budget pressures related to health and safety, licensing compliance and the conversion of programs to permit them to serve a greater number of younger children, pressures to the supports for children with special needs in child care, and system administrative pressures. The child care system is complex and 'fixing' pressures in one area will not in isolation stabilize the system and/or increase access for children and families.

To date pressures have been quantified in a number of areas across the system however more work is required to fully quantify the total pressures on the local child care system. While the additional \$3.3 million is welcomed and will begin to address some system pressures identified below it will in no way address total system pressures.

**Current Identified Child Care Pressures \***

<b>Child Care Funding</b>	<b>Description of the pressure</b>	<b>Projected Pressure</b>
Child Care Fee Subsidy Wait List	On January 1, 2013, there were 1,748 children on the wait list for fee subsidy. The cost to serve these children for a full year is noted in the projected pressure column.	\$10,488,000
Wage Subsidy	The 2013 wage subsidy estimates to support staff salaries across the local system have resulted in an additional funding pressure.	\$929,000
Repairs and Maintenance	There were 77 child care organizations that applied for repairs and maintenance funding in 2012 to meet licensing, public health and fire requirements. The total requests that exceeded the 2012 funding envelope are identified in the pressure column. Additionally Requests for 2013 have not yet been received	\$1,068,000
Fee Subsidy Per Diem Increases	Staff continue to work with child care operators to quantify their 2013 annual service contract submissions which determines their per diems.	To Be Determined
Special Needs Resourcing	Support for children with special needs has been highlighted as a challenge in the Early Years Community Plan – further investigation and analysis is required in order to quantify pressures	To Be Determined
Capital Costs To Retrofit Existing Child Care Spaces	As child care operators plan for the loss of four and five year olds due to full day junior and senior kindergarten they may incur costs to retrofit existing space to serve younger children – operators will be identifying those costs over the up-coming months While some funding is available in the 2013 budget it is unknown if they will be sufficient to meet the demand	To Be Determined
Cost of Administration	The Ministry of Education has indicated that they view 2013 as a transitional year. We continue to work closely with them to fully understand new expectations with respect to the municipality’s roles and responsibilities. As a result it is premature to determine & quantify impact on cost of administration at this time	To Be Determined
<b>Total</b>		<b>\$12,485,000*</b>

\* Excludes other known system pressures that are not yet quantified.

During this transition year staff have thus far undertaken work to:

- Quantify all current system pressures.
- Re-convene the Early Years Community Plan Steering Committee to develop the Plan's implementation strategy that includes the stabilization of child care.
- Work out a two phased approach to the new child care funding framework including;
  - a) the development of an interim plan with recommendations to Council regarding the additional \$3.3 million funding received for 2013 by June 2013; and,
  - b) the development of a new local funding model with targeted implementation in 2014.
- Engage key stakeholders and partners to ensure that local system priorities and issues are confirmed.
- Consult with Ministry of Education and other Municipalities to ensure that emerging provincial information and best practices are integrated into local planning.

Staff will continue to provide Council status reports and recommendations at critical key internals during this transition year.

#### **ALTERNATIVES FOR CONSIDERATION**

None

#### **CORPORATE STRATEGIC PLAN**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

#### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

#### **Strategic Objective**

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**APPENDICES / SCHEDULES**

None