



STAFF REPORT ACTION REQUIRED

Home Child Care Review - New Funding Model

Date:	October 5, 2016
To:	Community Development and Recreation Committee
From:	General Manager of Children's Services
Wards:	All
Reference Number:	

SUMMARY

This report seeks approval of a new streamlined model for funding licensed home child care agencies in the City of Toronto. The new model will replace the existing funding model with the nine licensed home child care agencies from which Children's Services currently purchases service. The proposed model is in response to Children's Services' review of Home Child Care and aligns with the 2012 provincial Child Care Funding Framework that provides the flexibility to simplify the way in which Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) fund child care locally. Children's Services is the CMSM for early learning and child care in Toronto.

The proposed Agency Operating Grant (AOG) model recommended in this report is consistent with directions included in the Council-approved *Children's Services 2015-2019 Service Plan*, and with many corporate initiatives, including the *Poverty Reduction Strategy*, supporting quality jobs and the on-going direction to find administrative efficiencies and provide responsive customer service.

The recommended model builds on the Council-approved centre-based child care funding model principles and the findings from extensive sector engagement. Feedback on the model was provided by a Home Child Care Review Advisory Committee, the Toronto Home Child Care Association and sector stakeholders.

This report also requests that the City-wide by-law 569-2013 be revised to align the by-law with the new Child Care and Early Year's Act and its regulations.

No changes are proposed to the City's existing child care fee subsidy system.

RECOMMENDATIONS

The General Manager, Children's Services, recommends that:

- 1) City Council establish an Agency Operating Grant (AOG) as described in this report as the new funding model to support eligible licensed home child care agencies, replacing the existing "Daily Administrative Rate" model, streamlining the funding processes and improving agency stability; and
- 2) City Council request the Chief Planner and Executive Director, City Planning to undertake any necessary amendments to the City-wide Zoning By-law 560-2013 to align the by-law with the new Child Care and Early Year's Act and its regulations.

Financial Impact

There are no additional financial implications in the 2017 Operating Budget Submission for Children's Services to administer the new funding model beyond what is included in the 2016 Approved Operating Budget for Children's Services, as funding for the new funding model will be allocated from within the existing base budget for Home Child Care of approximately \$20.0 million gross (\$4.0 million net). The Agency Operating Grant (AOG) does not provide new money to agencies and it is intended to be expenditure neutral.

As the new model will be fully implemented in 2018, should additional funding be required to support the program, the impact will be included in the 2018 Operating Budget Submission and will be considered as part of the annual budget review process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Impact Statement

This Funding Model for Home Child Care aligns with the 2015-2019 Child Care Service Plan and supports access, affordability and quality child care for families across Toronto. Supporting Home Child Care gives families options with respect to group size, location and culturally-specific care. The recommended Home Child Care Funding model provides base funding to contracted agencies in order to support the families they serve.

DECISION HISTORY

City Council on June 10, 11 and 12, 2015, adopted CD 4.5 *Toronto Child Care Funding Model*. This funding model established a General Operating Grant (GOG) to support eligible licensed child care centres, replacing the previous provincial wage-related grant program. The Home Child Care AOG builds off the based-funding approach approved in this report.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD4.5>

City Council adopted on May 5, 2015, CD 3.3 *Toronto Children's Services 2015-2019 Service Plan*, with amendments. The Service Plan identifies key System Changes that relate to improving funding models (Action 22) and streamlining processes (Action 24) as well as Strengthening Licensed Home Child Care (Action 25).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD3.3>

Community Development and Recreation Committee received for information on June 25, 2014, report CD 30.5 *Overview of Home Child Care in Toronto*. The report outlined that Children's Services will be undertaking a review of Home Child Care that included a review of the funding processes and requirements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CD30.5>

City Council at its meeting of April 1, 2 and 3, 2014, adopted the findings from the *Let's Talk Child Care* Campaign which contained parent feedback about child care in Toronto. These findings were used to inform the development of the Children's Services 2015-2019 Service Plan and the new Home Child Care funding model.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CD27.2>

ISSUE BACKGROUND

Home Child Care in Toronto

The City of Toronto and the Ministry of Education have a cost-sharing relationship for child care and early learning that includes both fee subsidies and operational funding. The Children's Services funding envelope for Home Child Care is approximately \$20.0 million gross (\$4.0 million net); 23% is allocated to agency operations while 77% is used for fee subsidies that are paid to the Providers, through the agency on behalf of the eligible clients.

In Toronto, there are both licensed and unlicensed home child care options available to families. There are 19 licensed home child care agencies, including the City operated agency, Toronto Home Child Care. Children's Services currently has service contracts with nine external home child care agencies.

Licensed home child care agencies offer approximately 3,100 spaces in 1,100 homes. These spaces account for approximately 4% of the total licensed spaces that Children's Services oversees as the Service System Manager. Home Child Care serves children from infant to 12 years old; however school aged children use approximately half the spaces.

New Provincial Legislation Provides Opportunity

Council has long advocated for flexibility in the funding from the Province for child care, including licensed home child care agencies. In 2012, the Ministry of Education established a working group under the Memorandum of Understanding between the Association of Municipalities of Ontario (AMO), the Province of Ontario and the Toronto-Ontario Cooperation and Consultation Agreement (TOCCA) to look at how child care in Ontario

should be funded. With advice from the working group, and in consideration of stakeholder feedback, a new funding framework (the method of allocating provincial funds for children's services among CMSMs and DSSABs) was developed. This framework provides both increased flexibility to allocate funding based on local needs and simplified reporting requirements.

Children's Services is currently implementing a new Council-approved (June, 2015) funding model for centre-based child care. The Division, through this report, is now addressing the opportunity for Home Child Care funding under the provincial framework.

The current Home Child Care funding model requires accounting for six historic and inequitable provincial grants (dating as far back as 1987) and a detailed operating budget. The budget process requires establishing a Daily Administrative Rate that is paid by the City to licensed agencies and tied to the enrolment of subsidized children through that agency. This process is administratively burdensome and does not account for the regular transition of children in and out of Home Child Care. The current funding approach and the regular fluctuations of enrolment leaves agencies financially vulnerable.

The Child Care and Early Years Act (CCEYA), and specifically the recent Phase Two Regulations, have expanded requirements of the Home Child Care Agency and the Provider. The most significant change is the requirement for agencies to account for all the children in a contracted Provider's home, even privately placed children who are not registered through the agency and not in receipt of fee subsidy.

With the objective of encouraging Providers to contract with licensed agencies and families to use the licensed sector, the province has also increased the maximum number of children allowed in a Provider's home to six from five, if that Provider is contracted by a licensed agency. This change recognizes the higher degree of oversight when a Home Child Care Provider is contracted by a licensed agency.

With increased funding flexibility, Children's Services has been working with the Home Child Care sector to develop a new funding approach that is equitable, streamlined and efficient to administer. The new funding approach provides base operating funding to licensed child care agencies to both support compliance with the new regulations and to achieve the goals of increasing stability, quality, affordability and efficiency.

Why is Home Child Care important?

The Home Child Care sector offers unique and flexible options including:

- Flexible hours that support non-traditional shifts or precarious work schedules.
- Culturally-specific care, including familiar foods and care in the family's home language.
- A small group setting, which some families prefer for their children.
- A mixed-age care option, from infant to 12 years old, which allows families to keep siblings together.
- Fees that are lower than centre-based care.

- The ability to be responsive to neighbourhood child care needs and trends and potentially give families greater location choice and convenience.

What is the difference between Centre-based and Home Child Care?

Centre-based care has educational requirements for staff and is located in space dedicated to child care and early learning. The dedicated space must meet Provincial, Children's Services, Public Health, Fire and Zoning requirements. A centre can be a space that has one room or many rooms for defined age groups and must meet specific child to staff ratios. Centres are licensed by the Ministry of Education.

Home Child Care is offered in a Provider's home. The home must meet safety requirements but is still, first and foremost, a home.

In Ontario, a Home Child Care Provider that is not contracted with a licensed agency can offer care in their home for up to five children, with no more than two children under two, without any additional requirements.

Individual homes or Providers are not licensed; however, the Ministry of Education does license Home Child Care Agencies in Ontario. These agencies then contract with Providers to deliver child care in their homes. A Provider contracted by a licensed Home Child Care Agency may care for up to six children with no more than two children under the age of two. The additional child provides a financial incentive for Providers to be contracted by a licensed agency.

What are the benefits of using a Home Child Care Agency?

There are many benefits to families who use a licensed Home Child Care Agency. Using a licensed Home Child Care Agency offers families support and oversight. The agency is a management intermediary for the families and Providers. It ensures compliance with standards and regulations, coordinates the reporting and payments, and supports regular communication. The agency offers families seamless care such as back-up care if the Provider is ill. The agency can also help families who have children with extra support needs access specialized services.

Agencies screen, approve and monitor their contracted Providers. The link between the Provider, the family and the agency is the Home Visitor, who is now required to be a Registered Early Childhood Educator under the CCEYA. The CCEYA requires Home Visitors to complete the Provincial "Standard Home Visitor Checklist" quarterly to ensure compliance. The agencies that have a contract with Children's Services have a higher expectation of oversight and must have monthly Home Visitor visits. The Home Visitor reviews the premises and supports the Provider to ensure safety and compliance including: age of children in care, building and equipment, health and medical supervision policies and procedures, nutrition, child programming, emergency preparedness, administrative practices and signage.

The Ministry of Education also inspects a sampling of homes as part of the agency's licensing review to ensure that requirements of the CCEYA are met.

COMMENTS

Children's Services currently has service contracts with nine Home Child Care Agencies; eight are non-profit and one is commercial. The City also directly operates an agency, called Toronto Home Child Care Agency.

There are a number of goals for transitioning Home Child Care to the Agency Operating Grant (AOG) funding model:

- **Stability:** Provide agency stability through predictable and regular base funding.
- **Efficiency:** Simplify the budget submission, approval and payment processes for agencies and staff.
- **Quality:** Support Home Child Care Providers as valuable partners in child care through equitable, predictable and transparent policies and funding strategies.
- **Affordability:** Support the Home Child Care sector in the ongoing effort to keep child care affordable for families in Toronto.

Why change the current funding approach?

In funding CMSMs and DSSABs to manage the early learning and child care system, the Ministry of Education rolled all historic grants into Core Service Delivery Funding, eliminating the need to apply complicated eligibility and reporting requirements to the budgeting and payment processes. Children's Services now has the flexibility to develop an efficient funding approach for Home Child Care as it has done for centre-based care. Appendix A illustrates the funding stream for the current and proposed funding approach.

The current funding model creates instability in the sector, as it is driven by individual child enrolment which fluctuates, yet the agencies fixed costs, such as salaries, rent and office equipment, do not.

Payments to Providers are based on established rates and, for some, historic enhancement grants. The historic grants, which have complicated eligibility formulas, result in some providers receiving more money for the same service. It can also mean that some portion of the payment may not be predictable, equitable or transparent to all Providers.

Finally, the current funding approach only supports families that have access to fee subsidies; a base funded approach offsets overall agency operating costs and in turn improves affordability for all families. This funding approach is similar to the Council-approved centre-based funding model and is consistent with the CCEYA, which now requires monitoring of all children in contracted Provider's homes.

How Home Child Care is currently funded?

The current funding approach for Home Child Care in Toronto has three elements: Daily Administrative Rate, Provider Payment and historic grants.

Daily Administrative Rate:

The Daily Administrative Rate pays a daily rate to the agency for each subsidized child that is enrolled with the agency (example: \$9 a day). The Daily Administrative Rate supports the operations of the agency, including placing and maintaining records for children, communicating with families and employing Home Visitors to work with contracted Providers. Currently establishing the Daily Administrative Rate is in part based on the historic grants with complicated eligibility formulas (such as staff full-time-equivalent calculations) and the review of a detailed operating budget submission against projected enrolment.

Historic Grants:

Historic grants are funding streams that were introduced by the Province over time and require specific and complicated eligibility and reporting requirements. These grants have been capped over time which has created inequity in payments received by agencies.

Provider Payment:

The Provider Payment is the fee paid to the agency, which flows to the Provider, for the care of the child in receipt of fee subsidy. The payment to a Provider includes the base rate as per the Provider Payment Schedule, based on the age of the child and the duration of care, and possibly some historic grants that enhance the base payment. The portion of the Provider Payment rate that is subsidize, on behalf of the child, is calculated using the same provincially legislated income test that is used for children attending centre-based care.

The Daily Administrative Rate and the Provider Rate, which includes any historic grants, are combined and then paid to the agency monthly: 75% at the beginning of the month and 25% after attendance has been verified. The process to verify attendance can often take time; this delay can create instability for agencies that need to meet their monthly fixed costs.

See Appendix A which illustrates the funding streams and flow through for the current and proposed funding approach.

What is the Proposed Funding Approach?

Children's Services recommends consolidating the existing funding streams into a single Agency Operating Grant (AOG) and separate Provider Payment Schedule. This funding model will remain within the existing allocated budget for Home Child Care of approximately \$20.0 million gross (\$4.0 million net).

The AOG will provide stable and predictable funding to agencies by confirming eligible budget items and establishing budget benchmarks and thresholds to ensure that expenses are reasonable. This approach will significantly simplify the budget submission process and enable future automation. By simplifying the budget, payment and reporting processes and by receiving stable funding, agencies may find operating efficiencies which could lower fees for all families.

The AOG will be implemented in January 2018, providing both the Division and impacted agencies with the time required to establish thresholds and business rules and to develop implementation strategies.

The AOG will be separated from the Provider Payments which allows the total approved grant to be paid out in regular intervals and not to be tied to the attendance submission of each Provider.

As with the new funding model for centre-based care, under this new approach no Home Child Care Agency will receive less funding than that for which it is currently eligible.

The rates Providers are paid for subsidized families are based on "service offerings". The rate for the service offering considers the duration of care (time blocks) and the age of the child. The service offering for subsidized children using Home Child Care have not been updated since the 1980's. As part of the AOG implementation, a number of internal operational efficiencies will be implemented, including updating and streamlining the service offerings.

Updating the service offerings will provide operational efficiencies and ensure that the care options families need are available, including care for non-traditional work hours. At the same time, the Provider rates will be equalized by eliminating historic grants and combining the funding streams into a single consistent base rate. By eliminating the historic grants and equalizing the rates, the Providers income becomes more predictable and transparent. No Provider will receive less than the current rates as a result of the rate equalization. The updated service offerings and the equalization of Provider Payments supports the goals of poverty reduction and higher quality child care.

The AOG will improve the financial reconciliation processes which are used to measure agency efficiency and effectiveness in the stewardship of public funds.

What are the benefits of updating the Zoning By-law?

The current bylaw in the City of Toronto is based on the outdated Day Nurseries Act (1946). With the passing of the new CCEYA (2014) the City-wide by-law 569-2013 will be reviewed to ensure the new legislation is clearly reflected in the by-law. Children's Services has had discussions with City Planning who will undertake revisions to the by-law as required to reflect the new legislation.

The by-law review will include:

- Updates to the allowable maximum number of children. The new CCEYA permits up to six children, if the Provider is contracted by a licensed agency; the current by-law is capped at five for all Home Child Care.
- Updating the nomenclature for Private Home Daycare and Day Nursery. Child Care and Early Learning has replaced the outdated daycare and day nursery terms as child care is now understood to be an environment for early learning and a part of the education continuum.
- Updating the reference to the current legislation.

Increasing the permitted number of children in a home will provide an opportunity to increase access to licensed child care in the City of Toronto. This increase could also encourage Providers not already part of the licensed system to contract with a licensed agency in order to take on a sixth child. Increasing access to licensed child care spaces for families and the possibility of a higher income for Providers supports the goals of the *Poverty Reduction Strategy*. City Planning will review the By-law 569-2013 in order to be consistent with CCEYA and to ensure that the goals of encouraging the licensed system, increasing access and supporting poverty reduction can be achieved from a zoning perspective.

CONTACT

Dena Warman
Consultant, Children's Services
416-397-1447; dwarman@toronto.ca

SIGNATURE

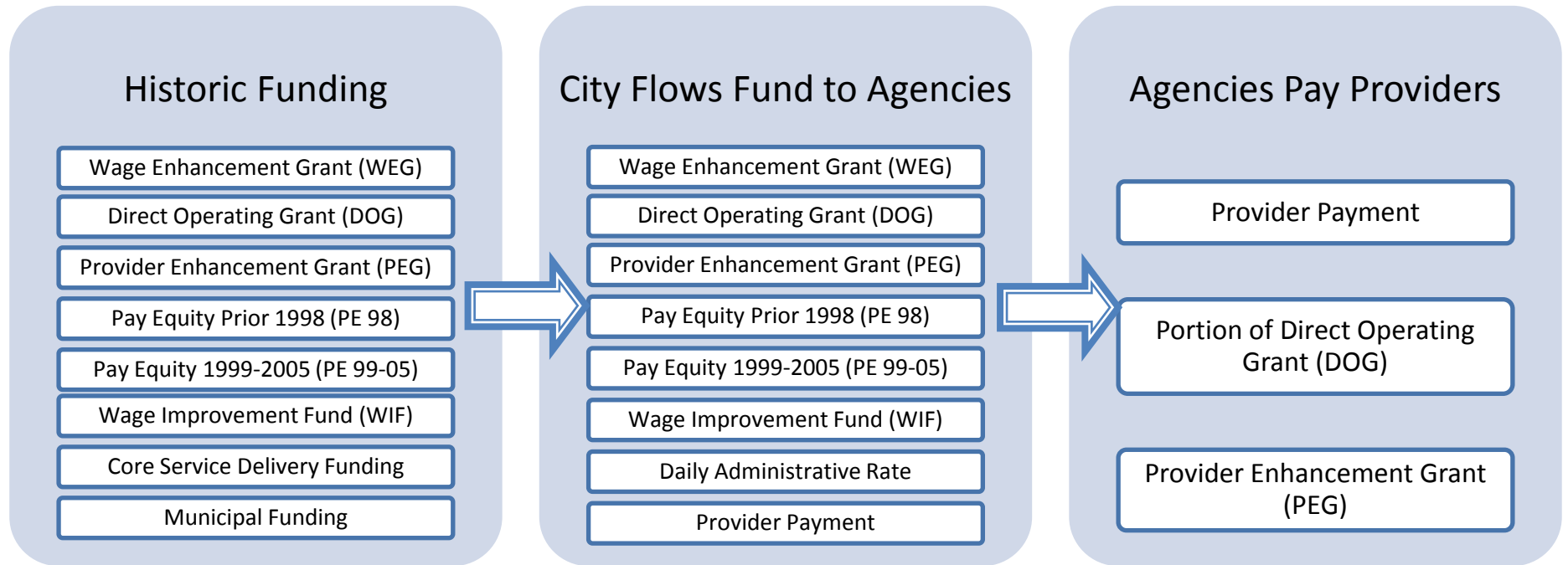
Elaine Baxter-Trahair, General Manager
Children's Services

ATTACHMENTS

Appendix A: Current and Proposed Funding Streams

Appendix A: Current and Proposed Funding Streams

Current Funding Model (Daily Administrative Rate)



Proposed Funding Model (Agency Operating Grant (AOG))

