SUBJECT: Child Care Fee Subsidy Program Caseload Management (ECS08050) (City Wide)

RECOMMENDATION:

That Council correspond with the Prime Minister of Canada, the Minister of Human Resources and Social Development and the Premier of Ontario and the Minister of Children and Youth Services urging them to work together to fund child care at a level necessary to support the City of Hamilton’s population of children zero to 12 years of age.

EXECUTIVE SUMMARY:

The child care system across the Province of Ontario continues to undergo a transformational change which began three years ago with the introduction of the Best Start Vision. While the provincial Best Start initiative continues to introduce policy and program changes, the funding that had originally been allocated to support the implementation of the vision was significantly reduced in 2006 when the newly elected federal government announced it would honour only one remaining year of the National Early Learning and Care Program and the existing Bi-lateral Agreement between the federal government and the Province of Ontario (refer to Best Start Update Report (SSC06006) (City Wide). As a result, the total federal funding the Province expected it
would receive to support the initiative has not been forthcoming. Those dollars have not been fully replaced by the Province of Ontario.

The purpose of Report ECS08050 is to:

- Provide an update on the current status of the child care fee subsidy waitlist;
- Provide additional details of the July 9th Provincial fee subsidy funding announcement;
- Identify the impact of the waitlist on families, child care operators, and the Ontario Works Program; and,
- Recommend that Council advocate with the federal and provincial governments for additional Provincial funds to support the ongoing increase in demand for child care fee subsidies.

BACKGROUND:

In December 2007, staff presented a report to Council (Child Care Fee Subsidy Program Income Test (ECS07093) (City Wide) that:

a. Provided an overview of the legislative change to the Day Nurseries Act regarding fee subsidy eligibility determination, and,
b. Highlighted the preliminary impact of the new Income Test on clients, the fee subsidy caseload, program revenues, and program administration. The report also sought approval of the proposed City of Hamilton Child Care Fee Subsidy Program Waitlist Management Strategy. The report was approved by Council on December 12, 2007.

One of the intended outcomes of implementing the provincial income test to determine financial eligibility for fee subsidy was that more families across a broader range of income levels would be eligible to receive child care fee subsidy. In July 2007, the province provided an infusion of an additional $3,021,200 (100% provincial fiscal funding) to the City of Hamilton’s Child Care Program. These funds enabled the program to continue to meet the increasing demand for fee subsidies while maintaining program spending within the adjusted 2007 budget. In January 2007, 2,828 children were receiving fee subsidies; by December 2007, that number had increased to 3,455 children. It was noted in the report however, that the trend of continued increase in the number of new financially eligible applicants without a further proportional increase in funding would, in all likelihood, lead to a waitlist for child care fee subsidies in 2008.

Child Care Fee Subsidy Program Wait List Management Strategy

The Waitlist Management Strategy was informed by extensive consultation and is aligned with the goals of broader local policy initiatives concerned with supporting children and families in our community including the City of Hamilton’s Social Development Vision, Vision 2020, and the Change Framework of the Hamilton Roundtable for Poverty Reduction.
The approved Waitlist Management Strategy is based on a mix of reasons for service and income criteria. Within each priority, queue applicants will be given access on a first come/first served basis.

**Priority 1**
Financially eligible applicants with a child who requires special needs resources and/or those vulnerable families in high-risk situations (note: these families are not placed on a waitlist; once deemed eligible they immediately receive their fee subsidy entitlement). Growing evidence demonstrates that the longer children with certain needs or risks are waiting for quality intervention, the further they will fall behind and it will be less likely that they will succeed in school.

**Priority 2**
Financially eligible applicants who live below the Low Income Cut-Off (LICO) poverty line, including Ontario Works and Ontario Disability Support Program clients (these applicants are waitlisted).

**Priority 3**
All other financially eligible applicants (these applicants are waitlisted).

**Growth in Demand for Service in 2008 and Implementation of the Waitlist**
Program staff closely monitored caseload trends and program expenditures during the first quarter of this year (January to April). Program utilization for that period exceeded the proportional year-to-date budget for the same period. Staff observed that previous caseload trends prior to the introduction of the income test no longer appear to reflect current program activity. Perhaps most notably, the demand for service continues to increase monthly (fully expected), while the number of children leaving the fee subsidy program each month had significantly decreased (unexpected).

When municipalities received an infusion of additional provincial Best Start Fee Subsidy funds in 2007, they were advised to expect to receive additional Fee Subsidy funding from the Province in 2008. By the end of May 2008 however, no provincial announcement had been made. Further, July, August and September months have traditionally been the most ‘active’ period for the Child Care Fee Subsidy Program caseload growth and utilization, as well as the most expensive months for the program each year. In the absence of any additional provincial funding, it was clear by the month of May that the program would exceed the 2008 approved budget unless the Waitlist Management Strategy was implemented. As a result, the waitlist was implemented on June 2, 2008.

An extensive communicated strategy (targeted to potential applicants, child care service providers, key stakeholders, City of Hamilton Councillors and their Administrative Assistants) supported implementation of the strategy. It should be noted that all new clients with appointments booked prior to June 2nd had those appointments honoured and subsidy approved. Additionally, the program honoured the requests of all clients who had previously applied and were approved for fee subsidy for summer care only.
Provincial Budget Announcement July 9, 2008
On July 9, 2008, the Honourable Deb Matthews, Minister of Children and Youth Services, announced a province-wide infusion of $22 million to address pressures for child care subsidies. Notification of Hamilton’s allocation was received in August and a meeting with Ministry staff to review details of the allocation was held on August 28th. The total allocation received by the City of Hamilton was $921,000 (100% provincial [fiscal]). These funds resulted in an adjusted 2008 Child Care Fee Subsidy Program budget of $23,473,479 gross, $3,064,250 net.

On-going Caseload Management: The Other Factors that Impact the Number of New Clients that Can be Served by the Child Care Fee Subsidy Program
While the Waitlist Management Strategy provides a process by which program expenditures driven by enrolment of new children into the program can be ‘managed’, it is important to note however, that a number of other factors influence the monthly program costs and therefore impact capacity to serve additional new families requesting service. These factors include:

- The number of applicants from the existing caseload who have had a ‘break in service’ and whose children are returning to the ‘active program caseload’ (i.e. a family who has received fee subsidies and have had a new baby, are considered on a ‘break in service’ while the mother is on maternity leave and is accommodated by the program upon her return to work);
- The caseload mix including the age of the child (infant care being the most expensive, school-age care being the least expensive);
- Full-time versus part-time care;
- Per diem increases and adjustments paid to operators;
- The number of school professional development days, school closure days, school early dismissal days (these vary from year to year);
- The number of eligible days of care each month (this can range from 19 to 23 days per month);
- The timing of when new children begin subsidized care, and when exiting children leave subsidized care each month;
- Increases in the parental portion of the cost (i.e. parental contributions and user fees); and,
- The number of children leaving the fee subsidy program each month.
### Current Status of the Wait List (Effective September 30, 2008)

<table>
<thead>
<tr>
<th>Priority</th>
<th>No. of Children Waitlisted</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Financially eligible applicants with a child who requires special needs resources and/or those vulnerable families in high risk situations)</td>
<td>0</td>
<td>These children are not waitlisted; rather, once financial eligibility is determined they immediately receive fee subsidies (in accordance with approved strategy).</td>
</tr>
<tr>
<td><strong>Priority 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Financially eligible applicants who live below the Low Income Cut-off (LICO) poverty line)</td>
<td>469</td>
<td>180 of these children will be removed from the waitlist beginning in October.</td>
</tr>
<tr>
<td><strong>Priority 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(all other financially eligible applicants)</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td><strong>PLUS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(Pending)</em></td>
<td>363</td>
<td>Additional children are pending placement on the waitlist (upon submission of documentation necessary for staff to determine if they would be eligible for a fee subsidy).</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>944</td>
<td></td>
</tr>
</tbody>
</table>

With the addition of the new 100% provincial funding announced in July, staff have determined that the total adjusted 2008 fee subsidy budget will support an average of approximately 3,500 subsidized children monthly. The average number of children to be served may change over the course of a year depending on all the factors that influence program expenditures identified above. An analysis of all influencing factors, including caseload activity and program expenditures from January to September (reflecting the impact of open intake to the program from January to May 31st, and the impact of controlled program intake through application of the Waitlist Management Strategy since June 2, 2008), has been completed.

Since implementation of the waitlist on June 2nd, over 850 new subsidized children have been placed in high-quality, licensed child care programs.

Staff are projecting that program expenditures will remain within the 2008 adjusted budget and can continue to:
- Accommodate children on the existing caseload who are returning from a ‘break in service’ between now and year-end, and;
Provide subsidy immediately to eligible Priority 1 children (in accordance with the Wait List Management Strategy).

It is anticipated that this will result in an additional 50 new children receiving subsidies each month between now and year-end.

Additionally, beginning in October, it is anticipated that up to approximately 180 children, currently in Priority 2 queue on the waitlist, will be moved off the waitlist and begin to receive fee subsidies.

Monthly caseload activity and expenditures will continue to be monitored closely between now and year-end in order to ensure that program expenditures remain within budget and as many children as possible receive fee subsidies.

**ANALYSIS/RATIONALE:**

**Impact of the Wait List**

...On Families

The lack of sufficient fee subsidies to meet the current demand for service has a direct and immediate impact on families and children. The waitlist management strategy ensures access to fee subsidies for eligible children who require special needs resources and/or those vulnerable families in high-risk situations. All others however, are currently waitlisted until the program can accommodate them. Without fee subsidies, parents are unable to secure and retain employment, attend school and/or retraining programs. The lack of access to high-quality child care has been identified as a significant barrier to parents living in poverty who need support to secure employment in order to earn a living wage and to provide the basic necessities for their children. Parents who cannot access high-quality licensed child care may be forced to either resort to using unreliable informal child care or to give up their job or their schooling or training, and may then have no choice but to apply for social assistance to support themselves and their children.

...On Child Care Operators

As of March 2008, there were 8,512 licensed child care spaces in the City of Hamilton. The over-all number of child care spaces has grown considerably since the introduction of the Best Start initiative in 2005. The total number of licensed spaces prior to the expansion that took place under Best Start was 6,690 in 2005. In 2006/07, there was an expansion of approximately 1,500 spaces related to Best Start.

Traditionally the number of fee subsidies in the Child Care System has been considerably less than the number of licensed spaces. In 2006, a monthly average of 2,694 subsidized children were enrolled in child care programs across the community. By December 2007, that number increased to 3,351, and currently with the new adjusted 2008 budget approximately 3,500 subsidized children can be supported monthly in the licensed child care system across this community.
In July 2007, the Ministry of Children and Youth Services advised municipalities as local Child Care System Managers that the Province would support no further expansion of existing child programs, or the development of new child care programs. Specifically, no new Provincial funding for wage and fee subsidies would be made available to support the expansion of spaces within the child care system. City staff in turn immediately began advising prospective child care operators who were considering establishing child care programs, as well as existing operators who were considering expanding their programs.

Some operators have chosen to continue to expand their programs/services since that time.

It is important to note that while there are more subsidized children in total in the child care system now than there were in previous years, there are not necessarily the same number of subsidized children currently enrolled in any particular individual child care programs across the system as there were prior to the implementation of the waitlist. Parents who receive fee subsidies determine which of the licensed child care programs in our community best meets their child and family’s needs. As a result, our purchase of service agreements with child care operators do not guarantee any level of fee subsidies to individual programs. This is carefully explained to perspective operators who are contemplating opening new child care programs and again re-iterated at the time the agreement is executed with them.

Across the range of child care service providers who have agreements with the City, some are very dependent upon the enrolment of subsidized children in their programs while others are less dependent. In some cases as many as 100% of the children enrolled in a program are typically subsidized. While the impact of the waitlist had an impact in the early summer, this impact was compounded in the late August to early September period that traditionally involves a significant ‘turn-over’ of children in the system. While over 850 newly subsidized children have entered the system since June 2nd, more than 1,100 have also been terminated or withdrawn over that same period of time. Some child care operators who are very dependent upon fee subsidies as a significant or sole source of revenue, have begun to advise program staff that their programs’ financial stability and overall viability are at risk. Some of these programs may soon be forced to make major decisions regarding their ongoing operations. This could have a significant impact on individual operators, the families they serve, and could potentially lead to instability across the entire child care system in our community.

…On the City of Hamilton Ontario Works Program

The lack of access to subsidized child care creates a significant barrier for Ontario Works clients participating in pre-employment activities, and can prevent clients going off the caseload to paid employment. Currently, 241 of the children on the child care fee subsidy waitlist are children of Ontario Works clients. The longer clients remain on the Ontario Works program, the more costs are incurred by both the City of Hamilton and the Province of Ontario. The number of families on the Ontario Works caseload has been steadily increasing in 2008, which can in part be attributed to the implementation of the child care wait list.
...On Program Administration
The Child Care System has, to date, managed the increase in the number of families accessing fee subsidies over the past three years with no corresponding increase to the staff complement.

It should be noted that the program has completed a Business Process Review, and is currently in the process of analyzing the review outcomes and developing a new service delivery model that maximizes program efficiencies and effectiveness.

Other Emerging Provincial Initiatives that May Impact Child Care System Spaces and Fee Subsidies
During the last provincial election, the Premier of Ontario committed to develop and implement a full-day early learning program for all four and five year old children across the province. To that end, Dr. Charles Pascal has been appointed as Special Advisor to the Premier regarding this initiative. Dr. Pascal has been studying this issue and conducting broad province-wide consultation since February of this year. He is scheduled to present his report to Premier McGuinty in spring of 2009.

The Ministry of Children and Youth Services will also soon be undertaking a comprehensive review of the current provincial funding model for child care across the province. No details regarding the exact timing of the review and the actual review process has been forthcoming to date.

ALTERNATIVES FOR CONSIDERATION:

Council could consider applying 100% net levy funds to address the current waitlist pending receipt of further provincial funding to address this pressure. The estimated maximum annualized cost of providing fee subsidies to all applicants currently on the waitlist (as of September 30th) could be up to $6,000,000. This alternative is not recommended by staff since:

a. There is no indication from the Province that additional provincial funds will be forthcoming in 2009 to address the ongoing fee subsidy pressure; and,

b. Eliminating the current waitlist will not address the ongoing increase in demand for fee subsidies.

Council could also consider applying the Best Start Reserve funds to address the current and future fee subsidy pressures. The reserve was established in 2007 (Best Start Initiative Reserve (ECS07055)). Staff are not recommending this as a sustainable solution since the funding is one-time/not annualized, and if utilized for this purpose would perhaps create a short-term solution that in turn would become a larger long-term sustainability challenge. Further, if these funds were allocated to this purpose other sustainability issues within the broad Best Start initiative could not be addressed, such as the need to offset Provincial shortfalls in the cost sharing of the City of Hamilton’s Best Start and Child Care administrative costs and the annual work plans of the Best Start Network.
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial:

The 2008 adjusted Fee Subsidy budget of $23,473,479 gross ($3,064,250 net) will support a monthly average of 3,500 children. Staff are projecting that 2008 program expenditures will remain within budget due to the ongoing caseload management in accordance with the approved Wait List Management Strategy.

Staffing:

There are no staffing implications associated with the recommendation of Report ECS08050.

Legal:

There are no legal implications associated with the recommendation of Report ECS08050.

POLICIES AFFECTING PROPOSAL:

The Best Start initiative was launched by the Province of Ontario with the goal that all children are ready and eager to learn by the time they enter grade-one. Research has demonstrated that children attending high-quality child care programs have a greater ability to achieve success. The approved waitlist strategy supports the Provincial Best Start vision as well as Hamilton’s Best Start Network’s vision.

The approved waitlist strategy is also consistent with the policy directions articulated in the Social Development Vision. Specifically, the proposed strategy seeks to remove fiscal obstacles to participation in our community by ensuring that those applicants living under LICO receive priority in a wait-list situation, ahead of those who are financially more well to do. It also supports the principle that investment in early child development is a crucial preventative measure by ensuring that applicants with a child who requires special needs resources and/or those vulnerable families in high-risk situations are never waitlisted.

The approved strategy is also closely aligned with the principles and directions of other recent policy initiatives; including the Hamilton Roundtable for Poverty Reduction Starting Point Strategies, which highlights the importance of access to early learning and child care as a critical point of investment to move children out of poverty and to contribute to ‘Making Hamilton the Best Place to Raise a Child’.
RELEVANT CONSULTATION:

As part of the preparation of Report ECS08050, consultation occurred with the Community Services Department, Employment and Income Support Division and Finance and Corporate Services Department, Finance and Administration Division.

Community Services Department staff continues to consult with other municipal child care staff from across the Province.

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Access to high quality licensed child care for families in our community supports the City of Hamilton’s Vision “to be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities”.

Community Well-Being is enhanced. ☑ Yes ☐ No
A high-quality early learning and child care system contributes to the healthy development of children and simultaneously ameliorates the negative impacts of poverty. The provision of fee subsidies increases access to the child care system.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No
Accessibility to high-quality child care promotes attachment to the workforce. Research has demonstrated the positive long-term economic impact and benefit of investment in children in the early years.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No