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DATE 24 June 1996

TO/DEST. Coordinator, Community Services Coordinator

FROM/EXP. Social Services Commissioner

SUBJECT/OBJET **FULL FEE RATES IN MUNICIPAL CENTRES**

DEPARTMENTAL RECOMMENDATION

That the Community Services Committee recommend Regional Council approve holding the rates charged to full fee payers in child care centres operated by the Region at 1995 levels as indicated below:

Infant	\$52.45;
Toddler	\$41.40;
Preschool	\$29.80;
Kindergarten	\$21.05;
School Age	\$12.50.

BACKGROUND

The Region currently operates 17 municipal child care centres which provide care on a daily basis for 728 children. The majority of these children are from families who qualify for subsidy, however, in 1995 an average of 126 spaces (17%) were occupied by full fee payers.

RATE SETTING POLICIES

The Day Nurseries Act of Ontario was amended on 1 January 1984 to ensure that municipalities charge full fee paying parents in their directly-operated child care centres sufficient fees to cover their portion of all actual operating costs.

Prior to that time the Province had cost shared net expenditures in the centres regardless of fees charged to the public. This allowed municipalities to set fees at rates lower than actual costs and made spaces affordable for middle income families. At the same time, the lower rates ensured full utilization of the spaces and also generated significant revenue.

Unfortunately, these "indirect subsidies" were contrary to the provisions of the Canada Assistance Plan. Consequently, in order to ensure that their federal cost sharing would be continued, the Province moved to eliminate the indirect subsidies by amending the Day Nurseries Act and issuing a directive to municipalities to have their fees increased to reflect actual cost by 1 January 1987.

In accordance with the Provincial directive, fees in the Region's centres were increased an average of 37% between September 1983 and September 1986. From 1986 to 1995, Council approved more moderate annual increases, setting the rates at an amount equivalent to the average rates charged in centres from which the Department purchases service. These decisions have enabled the Region to maintain a mix of full fee and subsidized children in the centres and also retain a significant source of revenue (projected at \$721,000 in 1996). At the same time municipal centres do not have an unfair advantage over private centres in attracting full fee payers. However, because fees are not at actual cost, an expenditure of 100% Regional dollars is required to make up the difference between the actual cost of care and the revenue from fees. At present this expenditure which is provided for in the Regional budget is in the range of \$250,000 to \$320,000 annually depending upon the actual number of full fee payers enrolled in the centres. Estimated cost in 1996 is \$306,000.

1996 MUNICIPAL CENTRE BUDGET

In 1995, Regional Council approved additional funding in order for infant group care programs to meet legislative requirements under the Day Nurseries Act. The Province agreed to provide 80% funding required to cover the cost of additional staffing. This has had the financial impact of increasing the per diem rate for the two municipal infant group care programs. In addition, the 1996 child care budget has decreased by an amount equivalent to the 2.1% per diem rate decrease imposed on purchase of service agencies to preserve all of the Jobs Ontario child care spaces. The gross budget for the municipal centres has decreased by 1.7%.

Current rates charged to the public range from 62% to 87% of actual cost depending on age group.

RATIONALE FOR HOLDING RATES AT 1995 LEVELS

The following factors have led to the Department's recommendation to hold rates at 1995 levels:

- 1) holding rates at 1995 levels is congruent with the Corporation's 1996 budget guidelines
- 2) actual operating costs in the municipal centres have decreased between 1995 and 1996 (resulting in a small decrease in the gap between rates charged and actual costs)
- 3) many community agencies have held their full fee rates charged to families who do not qualify for subsidy at 1995 levels
- 4) as a result of the 2.1% across the board decrease imposed on agencies to preserve all of the Jobs Ontario spaces, average purchase of service rates have declined by approximately 2.8%

FINANCIAL IMPACT

Since the 1996 child care budget did not anticipate any increase in rates charged to full fee payers there will be no adverse financial impact if rates are held at 1995 levels.

PUBLIC CONSULTATION

No public consultation was held on this issue.

*Approved by:
Dick Stewart
Commissioner*

GP/maw

FINANCE DEPARTMENT COMMENT

Approval of this report's recommendations means that, assuming the same level of fee payers as in 1995, the revenues from full fee payers in Municipal Centres will remain at 1995 levels. This is consistent with the assumptions contained in the 1996 budget.

Projected for 1996 - Assuming 126 Full Fee Payers

	\$ 000	%
Revenue from Fees	721	70
100% Regional Contribution	<u>306</u>	<u>30</u>
ACTUAL COST	<u>\$1,027</u>	<u>100</u>

*Approved by T. Fedec
on behalf of the Finance Commissioner*