

Our File/N/Réf.
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DATE 5 June 1996

TO/DEST. Co-ordinator
Community Services Committee

FROM/EXP. Commissioner
Social Services Department

SUBJECT/OBJET **LONG TERM STRATEGIES FOR EFFICIENCIES IN THE
CHILD CARE SYSTEM**

DEPARTMENTAL RECOMMENDATION

That the Community Services Committee recommend Council approval that the Social Services Department proceed with the following:

- 1. A feasibility study to be completed within the next three months on the phasing out of infant group care beginning in 1997.**
- 2. A program by program review to be completed in the next three months to identify opportunities and recommend steps to restructure programs in a more cost effective manner; to review the sustainability of the 2.1% rate reduction and to determine the potential for closure of group child care programs at Christmas and for one week in the summer.**
- 3. The use of funds in the amount of \$25,000 from the Child Care Contingency fund to undertake within the next three months a cost-benefit analysis of the following:**
 - a) developing automated links between child care agencies, MCSS Area Office and Social Services;**
 - b) setting up or linking with existing centralized services for payroll, janitorial services, purchasing etc. for individual child care programs**
 - c) developing an automated central waiting list for licensed child care programs.**

4. **A review of policies related to the provision of subsidized child care for students, for parents looking for work and for parents requiring part time care to be completed by early winter.**
5. **A review of the distribution of all subsidized child care spaces including Jobs Ontario spaces in consultation with the child care community to be completed by the end of 1996.**

BACKGROUND

In Ottawa-Carleton prior to October 1, 1995, there were 5,520 subsidized child care spaces cost shared by the Province and the Region at 80/20 and 707 Jobs Ontario spaces funded 100% by the Province. On October 1, 1995 the provincial government reduced their level of funding for the Jobs Ontario spaces from 100% to 80%. This meant that in order to maintain the existing level of service, Ottawa-Carleton had to find funding for its 20% share of the cost of the 707 Jobs Ontario child care spaces. This amounted to \$1,031,000 on an annualized basis.

Regional Council approved a three phase strategy to accomplish the goal of maintaining all of the Jobs Ontario spaces on a long term basis:

1. in 1995 the Child Care Contingency fund was used to cover any increased municipal costs;
2. in 1996 per diem and administration rates in all purchased child care programs, were reduced by 2.1%; municipal child care program and administration budgets were reduced by a similar amount and the minimum user fee was increased. These measures, in concert with a \$159,000 contribution from the Child Care Contingency fund, made up the required savings;
3. also in 1996, the Social Services Department embarked on a process with the child care community to develop long term strategies which could be introduced in 1997 to replace the 2.1% reduction.

When the Provincial government announced the reduction in their share of funding for the Jobs Ontario spaces, they also announced their intention to do a complete review of the child care system in Ontario. That review has taken place in the ensuing months under the direction of Janet Ecker, Parliamentary Assistant to Community and Social Services Minister Tsubouchi. In defining its goals for the review, the government has said that it wants “to insure that parents have quality and affordable child care options, focus resources on those families who are most in need, insure a system that is balanced between the private and non-profit sectors and make the system more flexible to adapt to the changing needs of Ontario families.” The Social Services Department agrees with these general directions.

Several groups and individuals have made written submissions to the review, although it was not originally designed to have a formal consultation process. Representatives of the Region and the child care community also had an opportunity to meet with Ms. Ecker at a round table discussion in February. It is expected that results of the review will be presented to the Minister and Cabinet in early summer. Since the Province intends to make the system more affordable, the results of the review should provide opportunities for cost savings or more cost effective use of existing resources by changing some of the current regulatory restrictions. It is also likely that changes will be made to the current needs test process for the determination of eligibility for subsidies and to the wage subsidy program for child care staff.

The purpose of this report is to identify and commence activities within the mandate of the Region in the administration and delivery of child care in order to achieve permanent efficiencies. This report also identifies long term strategies that fall within the mandate of the Provincial government.

IMPACT OF STRATEGIES USED IN 1996

For 1996, all community child care agencies lowered their 1995 approved per diem or administration rates by 2.1%. The new schedule for minimum user fees was implemented in February 1996.

First quarter expenditure and revenue reports indicate that the approved budget including a contribution of \$159,000 from the contingency fund will be sufficient to cover costs in 1996. However, revenues from partial fee payers continue to decline meaning that approximately \$75,000 in additional savings will have to be found in 1997 to maintain the total 6,227 subsidized spaces in the system. The total savings required are estimated at \$1,024,000. This consists of the following:

1.	reduction, community agencies	\$ 600,000
2.	2.1% reduction, municipal programs and administration	\$ 190,000
3.	contribution from the contingency fund	\$ 159,000
4.	decreasing revenue from partial fee payers	\$ 75,000
		<u>\$1,024,000</u>

IMPACT OF CHANGES IN THE EMPLOYER HEALTH TAX (EHT)

In their May 1996 budget, the Provincial government announced an EHT exemption for employers on their first \$400,000 of payroll to be phased in over three years starting in January 1, 1997. In 1997, the exemption will apply to the first \$200,000 of payroll. This exemption will result in cost savings in community child care programs of approximately \$170,217 in 1997, \$59,981 in 1998 and \$38,842 in 1999. These savings could be used to reduce the \$1,024,000 requirement indicated above.

EFFORTS TO DEVELOP LONG TERM STRATEGIES

Since the fall of 1995, a significant amount of work has been done within the child care community to review the existing child care system and to identify opportunities for change.

The following is a brief summary of some of the options considered by various sectors of the child care community.

1. Home child care programs

- merging of informal and licensed care while maintaining some standards;
- offering more service at the beginning of the relationship with a caregiver so that eventually the caregiver would require minimal contact with the agency and would receive support from a provider association;
- developing a process of accreditation for home care providers;
- developing a centralized waiting list;
- sharing resources such as newsletters, toys and equipment, workshops, parent education, play groups, crisis intervention;
- exploring administrative efficiencies like centralized fee collection, payments, policy making;
- recommending changes in legislation to increase the number of homes per home visitor, increase the number of school age children per home and allow two caregivers in one home.

2. Child Care Programs Providing Services In French

- delivering all child care services for children age 0 to 2.5 years old in home child care;
- consolidating the management and delivery structure for kindergarten and school age children encouraging administrative efficiencies such as centralized payroll, waiting list, purchasing, etc. and sharing of services like programming and equipment;
- recommending changes to the legislation in relation to ratios and physical space;
- recommending a different funding structure to include base funding which would achieve administrative efficiencies.

3. Centre Based Child Care Programs

- developing ways to make the child care system more flexible;
- reviewing the implications of base funding;
- reviewing the Day Nurseries Act;
- sharing of physical space and buses where possible;
- reviewing and researching the role of group care in providing infant care;
- closing of group care programs for one week each year;
- reviewing and comparing needs testing and income testing for subsidy eligibility;
- fund raising for additional equipment and enhanced program components;
- making better use of technology to accomplish administrative tasks.

4. Parent Consultation

The Child Care Division surveyed parents whose children are enrolled in municipal child care centres to gather ideas on making municipal child care programs more cost efficient. Comments indicate that a high proportion of parents are very satisfied with the child care services they receive and that they particularly value qualified staff, quality programming that is structured but not rigid, educational toys and balanced meals. They do not support reductions in these areas. Suggestions for reducing the cost of the existing child care system included:

- developing a more flexible system in order to attract more full fee payers and to better meet parental work, study and job search schedules;
- the provision by parents of equipment and supplies;
- purchasing of food and materials in bulk.

The options above outline the effort various groups have put into developing strategies for change in the child care system. Many of the options considered require changes in Provincial legislation or policy and without the benefit of knowledge of the results of the Provincial Child Care Review, there is no consensus on which options should be pursued.

In view of the necessity of finalizing plans for the 1997 budget, the Department has reviewed all of the options which have been identified, to determine which ones would result in savings and could be implemented in 1997 without any changes in existing Provincial regulations. Annex A contains a list of those options with preliminary estimates of savings. Annex B contains a list of options which would yield savings but require changes in Provincial legislation or regulations prior to implementation.

OPTIONS FOR 1997

From the list of strategies which could be implemented without a change in Provincial legislation or regulation, the Department has identified the following options which could result in significant cost reductions beginning in 1997:

1. Retain the 2.1% reduction in some or all programs for another year

Some programs have indicated a willingness to live with the current level of funding in preference to introducing further structural changes to programs.

2. Close all programs between Christmas and New Year's day and for one week during the summer

This option has support from some programs however it creates significant problems for many working parents who cannot take time off at the required time. Programs with significant numbers of full fee payers have also indicated their opposition to an imposed closure.

3. Introduce a further increase in the minimum user fee.

A significant increase in the user fee was introduced in 1996. Parents are indicating that they would find any additional increase very difficult to handle. There is some support for extending the user fee to families whose incomes are below the poverty level however this would result in extreme hardship for some families and would also result in collection problems for agencies.

4. Review programs on an individual basis to identify and implement changes in group sizes, staffing, etc. which would reduce the cost per child.

Several individual child care programs are currently operating with inefficient group sizes and/or staff complements in excess of the provincial minimum standards. In most cases, these situations have evolved as a result of physical space limitations, changes in provincial requirements, safety issues or a desire to serve more children even though this may have increased the cost per child. The Department has discussed this situation with the Area Office of MCSS. They have indicated a willingness to undertake a joint program-by-program review, with RMO staff, to determine where opportunities exist to change operating capacities or target groups, reduce staff to minimum standards, etc. Recommendations from this review could include reducing the size of some programs, while increasing the size of others and combining small or inefficient programs.

5. Increase the use of non Early Childhood Education trained staff in all centre based programs.

The Day Nurseries Act requires that one staff per group of children be qualified as an Early Childhood Educator (ECE). In preschool programs, for example, this means that for every 16 children, one of the two required teachers must have an ECE diploma. Currently, the majority of teachers in child care programs in this community are ECE qualified. As a result there would be a potential saving if this practice was changed. However, research has identified definite links between the qualifications of staff and the quality of programs. Many parents and child care professionals are consequently very reluctant to move in this direction. In addition, collective agreements and contracts with individual staff would mean that implementing this option would be a lengthy process.

6. Phase out infant group care while creating an equal number of targeted home child care spaces or toddler spaces.

Current rates for infant group care range from \$843/month to \$1380/month. This compares to a rate of \$550/month for licensed home child care for infants. Rates for infant group care are a direct reflection of the strict staffing guidelines contained in the Day Nurseries Act. These rates have made infant group care unaffordable to all but a few fee paying families. Phasing out of infant group care would result in significant savings. However, it would remove this option for parents and would have a significant impact on the viability of the programs currently offering this type of care. The impact would be particularly destructive in teen mother programs where it is crucial for the success of the program to

minimize the amount of time teen mothers are out of school. Demonstration programs in the community colleges also feel that the opportunity to observe and work with infants is crucial for their students.

7. Discontinue the provision of hot noon meals.

There is very little support for this option because of the nutritional value of the current practice and the long term impact on the health and development of young children.

8. Other strategies

Several suggestions have been made which would result in modest savings which should be pursued even though the financial impact would not be great. These include sharing buses for field trips, sharing training or staff development resources between programs, generating revenue from respite care, etc. These initiatives will be pursued.

9. Administrative efficiencies

Suggestions for significant changes in the administration of the child care system have come from several sectors. Aside from changes in funding such as base or program funding, which require changes in Provincial Legislation, three broad areas have been identified which could result in efficiencies through the use of technology and/or centralized services. These areas are the following:

- development of automated links between child care agencies, MCSS and RMOC and exploration of additional use of technology such as direct deposits of payments to agencies;
- use of centralized services for such things as payroll, purchasing, janitorial service etc. (could be through joining existing groups or developing new services);
- development of an automated, central waiting list for licensed child care services.

Development in these areas has definite potential for future savings, however, significant one time costs for set up would be required. Policy issues related particularly to a central waiting list also require further exploration. Preliminary discussions with outside consultants indicate that a preliminary analysis of the cost benefit of these initiatives could be done for approximately \$25,000.

NEXT STEPS

Given that there is no consensus within the child care community with regard to the options listed above and the need to further investigate and determine impacts and quantify savings, the Department recommends the following course of action over the next three months:

1. A program-by-program review be conducted by RMOC and MCSS staff to identify and recommend steps to make programs more cost effective, to review the impact of the 2.1% cost reduction in 1996 and to determine the potential for closure between Christmas and New Year and in the summer. (Community input will be sought with regard to criteria to be used.)
2. A feasibility study of phasing out infant group care be done to identify impacts on children, parents and individual programs and to quantify savings.
3. Up to \$25,000 from the child care contingency fund be used to conduct a preliminary cost/benefit analysis of the following:
 - development of automated links between child care agencies, MCSS and RMOC and exploration of additional use of technology such as direct deposit of payments to agencies;
 - use of centralized services for such things as payroll, purchasing, janitorial service etc. (could be through joining existing groups or developing new services);
 - development of an automated, central waiting list for licensed child care services.

POLICIES RELATED TO ELIGIBILITY FOR SUBSIDIES

The Child Care Division has identified several areas related to eligibility for subsidies where improvements could be made which would enable the Region to serve more families within the existing budget.

For example work is currently going on to develop a pilot project with home child care agencies where parents who are looking for work would be provided with licensed home child care on an “as needed” basis while looking for work rather than occupying a full time space. A full time space would be guaranteed, if the parent found work or entered a training program. If the pilot project is successful, all new “looking for work” clients could be served in this manner.

A work group has also been looking at ways of responding to the increased demand from parents for part time care and care for extended hours. Issues identified include the need for training for program staff regarding both the increased administration related to part time care and the different type of programming required in centres when children come at irregular times; the need for a centralized resource to help parents find appropriate care and “match” parents with part time needs; and the potential for designating programs in various geographic areas to focus on different needs.

Some work has also been done on looking at the possibility of defining and contracting for the hours of care to be purchased for parents in training or educational programs. Programs serving a high proportion of students could then look at reducing their open hours. In addition, the potential of using nursery schools to meet the needs of parents in part-time courses could be explored.

The Department will continue with work in the above areas with a report on policy changes coming forward in late fall or early winter.

OTHER ISSUES

During discussion with parents and the child care community about the 2.1% reduction and the future of the child care system in the current economic climate, several other issues have come forward. These include the need to review the distribution of subsidized spaces and reconsider the option of reallocating spaces since prospects for expansion are limited. In addition, the Department has continued to target the Jobs Ontario spaces to social assistance recipients and hold a pool of these spaces for use in agencies of a client's choice. This practice has been continued because of the Department focus on serving those most in need and also to keep options open with regard to using those spaces to support social assistance recipients involved in Ontario Works or other work related programs. Due to the changes in the Provincial funding of the Jobs Ontario spaces, there is no longer a provincial requirement to maintain the targeting.

Consequently, the future use of the Jobs Ontario spaces could be reviewed as part of a review of the distribution of spaces. The Department recommends that a review of the distribution of all spaces (including Jobs Ontario spaces) be undertaken in consultation with the child care community by the end of 1996.

*Approved by
Dick Stewart
Commissioner*

GP/maw

STRATEGIES WHICH WOULD RESULT IN SAVINGS
AND COULD BE IMPLEMENTED IN 1997
WITHOUT CHANGES IN PROVINCIAL LEGISLATION/REGULATIONS

A. Strategies that could be implemented on January 1, 1997	Estimated Savings
1. EHT savings	\$170,217
2. Retain the 2.1% reduction for another year	
community agencies	\$600,000
municipal programs & administration	\$190,000
3. Close all centre based programs for one week in July or August	\$200,000 - \$260,000
4. Increase the minimum user fee	needs further analysis
5. Require programs to share buses for field trips, pool resources for staff development etc.	needs further analysis
B. Strategies Requiring Phased-in Implementation or Further Impact Analysis	
1. Phase out infant group care and create an equal number of home child care spaces	\$1,600,000 ¹
or	
Phase out infant group care and create an equal number of toddler group spaces	\$1,290,000
2. Review all programs on an individual basis for cost effectiveness	\$200,000
3. Increase the use of non-ECE trained staff	\$575,000 ²
4. Discontinue provision of hot noon meals	needs further analysis
5. Encourage programs to generate revenue through the provision of respite care or summer programs	needs further analysis
6. Develop automated links between MCSS, RMOC and individual child care programs	needs further analysis
7. Introduce centralized services for purchasing, payroll, janitorial services, etc.	needs further analysis
8. Develop an automated, central waiting list for licensed child care programs	needs further analysis

¹ does not include financial impact on agency if infant program is phased out

² one untrained staff per age group

ANNEX B

STRATEGIES REQUIRING A CHANGE IN PROVINCIAL LEGISLATION OR REGULATION

	ESTIMATED SAVINGS
1. increase child/staff ratios in centre-based programs	
pre-school from 1:8 to 1:10	\$1,180,000
kindergarten from 1:12 to 1:15	\$ 240,000
after four for 1/15 to 1/18	\$ 150,000
2. introduce more flexibility in Day Nurseries Act e.g. change infant ratio	\$ 363,000
3. increase the ratio of homes per home visitor in licensed home child care from 25:1 to 30:1	\$ 230,000
4. increase number of children per home from 5 to 5 younger children plus 2 school age children	increased earning potential for providers
5. consolidate funding and block fund municipality	needs further analysis
6. introduce base or program funding	needs further analysis
7. combine RMOC and MCSS child care units	needs further analysis
8. restructure home child care to include the informal sector	needs further analysis
9. introduce an income test	needs further analysis