

**May 5, 2023**

Hon. Stephen Lecce  
Minister of Education  
5th Floor, 438 University Ave.  
Toronto, Ontario  
M5G 2K8

## Re: 2024 Funding Formula Consultation

Dear Minister Lecce,

The Ontario Municipal Social Services Association (OMSSA) is a non-profit association whose Members are Ontario's Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs).

The Ontario Municipal Social Services Association had the opportunity to consult with the Ministry of Education on the proposed [2024 Child Care Funding Formula discussion paper](#). Ontario's 47 Service System Managers have met several times and a committee was formed to provide consolidated feedback. OMSSA and its Members stand ready to partner with the province and provide ongoing consultation while working together on the implementation of Canada-Wide Early Learning & Child Care (CWELCC) in Ontario communities.

High quality early childhood education has significant impacts on children, families and the economy. Early childhood experiences from birth to age eight affect the development of the brain's architecture, which provides the foundation for all future learning, behavior, and health. A strong foundation helps children develop the skills they need to become well-functioning adults. For families, it increases participation in the workforce and ultimately impacting the economy through taxes and increased employment. For these reasons, OMSSA Members are invested to making the implementation of CWELCC a success.

The Ministry of Education has outlined the following principles for the 2024 Child Care Funding Formula:

- Standardization of a formula across the province with rates set by the provincial government.
- Accommodation cost transparency.

The CWELCC system in Ontario was guided by the key principles of quality-focused, child and family focused, protection of for-profit and non-profit spaces, and efficient administrative system.

OMSSA Members support these principles and want to help the province identify missing components, implementation challenges, and administrative burden on child care operators and Service System Managers. Our mutual goal is that the funding formula is transparent, and supports sector sustainability while expanding access to affordable, high-quality, and inclusive child care across Ontario. The CWELCC funding formula should preserve existing child care spaces.

Our members have focused on the themes of reducing administration; implementation challenges; service impacts; mitigation and flexibility; and the role of the service system manager.

In Appendix A, we have also included costs that are missing from the proposed funding formula.

### **Administration:**

The funding formula introduces a range of new funding parameters which will result in additional administration burdens for child care operators and Service System Managers (SSM). Some of the key challenges include:

- While a grant-based funding model has been used to fund other provincial programs, it will represent a significant change in funding approach for the child care sector. Many child care operators may not have the capacity to manage this significant shift in the funding framework. This will require additional administration funding to support administrative resources, policy development, contract management, change management, governance, risk management, reporting and/or budget development to inform funding allocations. During the first phase of CWELCC, SSMs provided extensive support to both large and small operators to ensure successful enrolment. Continued support will be required to sustain the program and support child care operators to transition to the new funding formula without affecting child care operators' ability to continue high quality care for Ontario children and families.
- SSMs are now managing multiple systems (CWELCC, 0-6, 6-12, non-CWELCC providers). The new funding formula does not replace what already exists, but instead, it will add a new layer of complexity. SSMs will need to develop customized policy and accountability mechanisms for each segment of the system. This will result in additional complexity for child care operators who serve the 0-12 age group and will need to navigate two separate funding approaches (0-6, 6-12) and reporting requirements. The funding formula will add a new complexity to how SSMs fund operators and will require significant resource investments from SSMs.
- The CWELCC principle of efficient administrative is challenged with the amount of data collection and reporting required by the Ministry from child care operators.

- Using volume of spaces as the driver behind the formula does not account for the needs of multiple small providers that often require extensive support from SSMs, or for the variation in the child care operator's internal capacity to support submission of information. Similarly, licensed capacity is not indicative of Service System Manager administrative requirements. The majority of the financial analyses, technology and administration required by the child care operators to support complex funding formula are independent of the number of licensees or licensed capacity.

We encourage the ministry to work with SSMs to explore the feasibility of the following solutions to the challenges related to administration:

- Administration funding must consider the uniqueness of programs and regional differences to ensure SSMs have sufficient funding and resources to lead effective implementation to ensure child care spaces and families are not impacted.
- As with any change, additional resources are required up front to support a successful transition. The ministry must ensure SSMs are supported with sufficient and stable administration funding as the amount of CWELCC administration funding in 2023 was insufficient to deliver on SSM responsibilities associated with CWELCC. It is recommended that the ministry engage in additional consultation with OMSSA members to determine an approach which recognizes the ongoing administration costs associated with delivering CWELCC and the variation in regional differences.

### **Implementation Challenges:**

Effective implementation of the funding formula will ensure ongoing success of the CWELCC in Ontario. The following challenges need to be considered to ensure effective and smooth implementation can be achieved:

- This is a transformational change and sufficient time is required by SSMs to educate child care operators, build policies, processes and accountability frameworks in order manage funding expectations for child care operators and service impacts for families.
- Benchmarks are currently unknown. Consultation on local benchmarks is crucial to allow for financial modelling and an overall understanding of financial implications. The use of operating capacity is not a robust indicator of true operating costs, as there are fixed costs that must be met.
- The funding formula must be sustainable and clear for both non-profit and for-profit operators to protect spaces. Providers may opt-out if costs are not fully recovered and if they do not see the long-term funding as viable and sustainable, which will challenge the CWELCC principle of protection of spaces. This will be a

challenge for commercial operators who will be looking to protect their profits, which may impact future expansion.

- The development of the funding formula must take into consideration that mandatory municipal contributions have been used to support existing child care programs such as child care subsidy, special needs resourcing and capacity building. Any redirection of mandatory municipal contributions could have unintended consequences such as reducing service levels for families.
- The sector is still recovering from the COVID-19 pandemic and is not yet operating at full capacity. The sector continues to undertake significant transformation and child care operators are concerned about high-impact issues such as financial viability, staffing and the rebuilding of reserves.
- Child care operators may require additional staffing or may need to purchase new tools and software to manage reporting or administration pressures. Administration funding is needed to support child care operators with additional reporting needs. As child care operators implemented CWELCC phase one, many required additional administration funding. Child care operators will require transitional funding to adapt to changes in processes and reporting.

SSMs are committed to working with the province to ensure effective implementation and protection of CWELCC spaces. Provincial support is required to explore the following solutions to implementation challenges:

- It is imperative that the appropriate time and consultation is undertaken and verified data is used to inform the benchmarks. SSMs know their communities and child care operators best, and as such, SSMs should be engaged early to support the ministry in the development of benchmarks.
- SSMs and child care operators require lead time to fully inform, educate, and implement the **final** funding formula to maintain stability in the system. Implementation timelines need to consider the impact on SSMs and child care operators. Child care operators and Service System Managers will be unable to switch or transition their operations or financial reporting without sufficient notice.
- There needs to be flexibility in the application and use of benchmarks as these benchmarks will not necessarily be reflective of the current operating environments and systems. Child care operators will require time to transform their operations, as needed, to align with the benchmarks.
- We recommend the ministry consult with SSMs to understand the risks associated with redirecting mandatory municipal contributions to CWELCC.
- Local data should be shared with SSMs. This will reduce administration burden for both SSMs and operators as well as allow for SSM validation of the data collected in the mini-survey. There are concerns about the accuracy of data

submitted in the mini-survey that the province is relying on to determine eligible expenses.

### **Service Impacts:**

As we move forward with the ongoing implementation of CWELCC and expansion of spaces, it is imperative that we minimize impacts to service for Ontario children and families. The following challenges will be needed to be managed as we transition to the new funding formula:

- General Operating (GO) Funding has been used by many SSMs to currently enhance program staff wages. Salary supports through GO funding varies across SSMs. Any redirection of GO funding to CWELCC will result in a decrease of program staff wages in 2024 and may result in staff leaving the child care workforce and reduce CWELCC service levels for families. Further GO funding is embedded into the employment contracts of staff which may result in legal or financial implications for child care operators.
- The CWELCC principle of child- and family-focused services will be severely challenged as waitlists form for access to affordable CWELCC spaces. Vulnerable families will be the most impacted without access to high quality and affordable child care.
- *How Does Learning Happen?*, emphasizes that high quality child care requires sufficient planning time and ongoing engagement with families and children. The minimalist staffing model described as part of the funding formula does not reflect pedagogical best practice, including planning time, professional development, including mandatory continuous professional learning for Registered Early Childhood Educators (RECEs), time dedicated to quality and inclusion and mentoring, nor does it support the variety of operational needs of child care operators, including flexible and extended-day models of care, and unionized environments.
- Models of child care that support families with precarious employment will be disadvantaged, including those with flexible hours of care and evening/overnight/weekend care.
- The formula does not recognize the operational and business components required to maintain and sustain services to families (i.e., marketing, taxes, provincial and municipal reporting requirements, enrollment, payroll, pedagogy, documentation, health and safety, programs, staff turnover).

The following solutions must be considered to minimize negative service impacts:

- The ministry must ensure each SSMs GO funding is maintained above CWELCC funding in the new funding allocation. We recommend that the ministry consult with SSMs on the use of GO funding to support program staff wages to arrive at

either local or regional benchmarks that can be added to program staff and leadership grants.

- Recognize that early years and child care has an economic impact but also plays a major role in child outcomes and education. A corresponding flexibility in funding is required to enable the SSMs to respond to local needs and pressures, especially in the protection of spaces for vulnerable families.
- The funding formula must be reflective of a high-quality child care system that recognizes the important role of RECEs and aligns with *How Does Learning Happen?* by including funding to support planning, reflection, and preparation time outside of the classroom.
- Further clarification is required on the adequate profit levels, retained earnings, and non-profits reserves for child care operators.

### **Mitigation and Flexibility:**

SSMs rely on their local knowledge and expertise to support and maintain the viability of child care spaces in their communities. SSMs rely on flexibility and mitigation funding to fulfil this role. The following challenges need to be considered to allow SSMs to continue to this role:

- Funding flexibility is needed to support the unique individual needs of child care operators/ programs.
- The assumed flexibility based on the gap between operating and licensed capacity is an unstable and unrealistic assumption, as operating capacity is impacted by staffing and not by demand.

The following solutions need to be implemented in the funding formula:

- Provision of additional mitigation grants to support (a) transformation, (b) adjustments in funding to address the gap between funding provided and true costs, and (c) mitigate unintended financial and operating impacts on operators.
- Greater flexibility is required for the Service Manager as child care needs vary across the province and region by region, and SSMs have managed these needs with the flexibility provided by the province in the past. This flexibility, supported by mitigation funding, must continue to exist beyond and above the flexibility between licensed and operating costs. This approach would align with the existing Mitigation Funding grant in the current funding framework.

### **Role of the Service Manager:**

SSMs have been accountable, collaborative, and responsive partners in supporting the provincial priorities related to child care, including the recent implementation of CWELCC. Together we have achieved a great deal of success and SSMs remain committed to building on these successes, including supporting the transition to the new funding formula. The important role of SSMs is not fully acknowledged or

accounted for the in new funding formula. Some of the key activities SSMs support include:

- Ensure compliance to provincial direction and policies at the local level through good governance, accountability, and value for money by onboarding service providers, managing contracts and reconciling provincial funding and reporting.
- Manage the local needs of their community with flexibility in the broader system to support local families.
- Support quality care for consistency in service and to raise the bar of quality care for Ontario children and families.
- Build and maintain critical and crucial relationships with child care operators and families.
- Manage access to services to ensure vulnerable families are prioritized.
- Lead planning and integration of services in their community, ensuring resources are maximized.
- Lead the implementation of provincial initiatives at the local level.
- Manage ongoing quality or viability concerns to ensure the safety of children and families.
- Manage professional learning and development opportunities that build the capacity of the sector to provide high-quality programs.
- Identify and implement local priorities through regular consultation and engagement with service providers, families, and other community partners.

As we envision the next phase of CWELCC and funding, it is important that the role of the SSMs is acknowledged and properly accounted for in the new system. The Service Manager provides value and services to the child care sector that are beyond the transaction of flowing funding.

The Service Manager is a critical linchpin between the province, child care operators, families and local priorities. For SSMs to continue to excel in this role, it requires the additional responsibilities associated with the formula to be accounted for through predictable, adequate, and sustainable funding. It is with ongoing support from the province that SSMs will successfully implement CWELCC on behalf of the provincial government.

Further, to ensure a successful implementation of CWELCC, SSMs must also have a strong understanding of the Ministry's overall vision for child care and early years beyond CWELCC funding. There needs to be further discussion to understand how the new CWELCC funding formula will impact other critical components of the child care and early years system and funding streams, such as General Operating Grant

funding, capacity building, fee subsidy, special needs resourcing, Indigenous-led early learning and child care, and EarlyON Child and Family Centres.

**Partnership with the Province on CWELCC:**

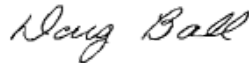
The Ontario Municipal Social Services Association thanks the Ministry of Education for the opportunity to provide feedback on the 2024 Child Care Funding Formula. CWELCC offers an exciting time to expand access to affordable, inclusive, and quality child care across the province with flexibility to address local needs.

There is also an opportunity to work together on an overall vision for early years and child care in Ontario. OMSSA looks forward to continued engagement with our membership as we work towards shared outcomes and implementation of CWELCC in the years ahead. OMSSA also supports the Northern Ontario Service Deliverers Association (NOSDA) submission and submissions from individual Service Managers.

Sincerely,



Cathy Cousins  
President



Doug Ball  
Executive Director



## Appendix A: Funding expenses missing

Funding expenses missing include:

- The proposed staffing grants does not factor implementation of Ontario's how does learning happen, planning time, mentoring new staff, training, inclusion and quality. RECEs may leave the sector for jobs that are higher paying with less stress. Additional staffing hours should be funded to allow for these tasks and to avoid further challenges with recruitment and retention.
- Child care management compensation.
- Debt costs.
- Franchise fees.
- Inflationary cost and compounded annual inflationary increases. Benchmark data will be based on 2022 data collected in the mini-survey so two years of compounded inflationary increases are needed to ensure benchmarks reflect 2024 costs. Inflationary pressures in the current and future years. (General CPI is not reflective of on the actual costs experienced by the child care sector).
- Insurance.
- Profit/retained earnings.
- Management fees.
- Registration fees.
- Interest on mortgages.
- Common Area Costs CAM and Municipal Taxes.
- Home Child Care expenses listed under the Operations Grant and the Accommodation Grant, (lease, utilities, insurance) are missing from the agency's operations allocation.
- Capacity Building.
- Audit costs
- Reporting costs/ technology costs
- Collective agreements.
- A full inventory of eligible expenses is required to provide clarity to operators. With the full information of data collected and eligible expenses, SSMs are better positioned to communicate anything further that may be missing. What happens when there is a funding gap not covered? Eligible expenses should also be directly related to the delivery of child care to contain costs and maximize funding.