



	<b>REPORT No.: 2020-27</b>
<b>MEETING DATE: MAY 21, 2020</b>	<b>DATE PREPARED: 5/13/2020MAY 20, 2020</b>
<b>SUBJECT: CHILD CARE SUSTAINABILITY FUNDING APPROACH</b>	

**RECOMMENDATION**

THAT with respect to Report No. 2020-27 (Integrated Social Services Division), we, The District of Thunder Bay Social Services Administration Board (TBDSSAB), direct the Board Chair to submit a letter to the Minister of Education entreating that cost shared funding be maintained at originally approved levels for 2020, and that any changes to Child Care and Early Years funding be applied on a prospective, not retroactive, basis;

AND THAT if the Minister denies the Board's request to apply funding changes on a proactive basis, TBDSSAB allows Administration to exceed the 80/20 provincial municipal cost share for the 2020 year if required, with the total municipal dollar amount not to exceed the amount included in the 2020 approved TBDSSAB Operating Budget.

**REPORT SUMMARY**

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with an overview of the details of Ontario's Child Care Sustainability Funding Approach during the COVID-19 pandemic, including the financial responsibilities of TBDSSAB and the sector operators.

**BACKGROUND**

On March 17, 2020, the Premier of Ontario declared a state of emergency due to the COVID-19 pandemic and ordered the closure of all licensed childcare centres and all facilities providing indoor recreational programs (including EarlyON Child and Family Centres).

On March 21, 2020, the Ministry of Education (MED) released a memorandum related to Emergency Childcare in which the Ministry recognized that the decisions made by the province affected several health care and other essential front-line workers that must continue to work during the pandemic. The 47 service system managers were asked to complete and submit a plan that would meet local needs which in turn would need to be reviewed and approved by the Ministry.

On April 26, 2020, the Education Minister announced that the closure of publicly funded schools would continue until at least May 31, 2020. Within the District of Thunder Bay, the majority of licensed centre-based child care operators are located in schools.

### **COMMENTS**

On May 11, 2020, the Assistant Deputy Minister for the MED, Early Years and Child Care Division, distributed a memo to the 47 service system managers setting out the details of Ontario's Child Care Sustainability Funding Approach – COVID Outbreak (Attachment #1).

The objective of the funding approach for Child Care and EarlyON Programs during the closure period identified in that memo is to *“support financial sustainability across the child care sector that would support a stable and accessible child care system that will be critical to Ontario's recovery following the COVID-19 pandemic”*.

### **Child Care Operators**

The COVID Outbreak funding model for child care operators announced on May 11, 2020 would be in effect retroactive to March 15, 2020, and requires all child care operators to apply to any federal subsidy programs available. Provincial funding may only be provided for certain fixed monthly overhead costs.

In response to the March 21, 2020 memo from the MOE, many child care operators laid-off most of their staff. However, most operators maintained a certain level of staffing for administrative purposes. The new funding model announced by the MOE on May 11, 2020 indicates provincial funding cannot be provided to support staffing costs during the closure period. Subsequent correspondence indicates that certain staff benefits may be considered as fixed overhead costs.

### **Staffing Costs**

The Federal government has announced the federal COVID-19 Economic Response Plan with supports for businesses and individuals, including the Canada Emergency Wage Subsidy (CEWS). The CEWS will provide eligible businesses with a wage subsidy equivalent to the lesser of \$847 or 75% of each employee's weekly wages. It should be noted, municipalities, colleges, and universities are ineligible for the CEWS.

All child care centre operators are now required to apply for Federal COVID-19 Economic Response Plan funding, including the CEWS, to support staffing costs retroactively to March 15, 2020. Service system managers may provide funding to operators to top-up wages and benefits above the CEWS amount, however this top-up would be 100% municipally funded.

Administration has performed a preliminary analysis based on closure-period staffing levels submitted by child care operators. This analysis shows estimated staffing costs from March 15, 2020 to the end of June, total approximately \$635,000 (including payroll remittances and employer-provided benefits). The estimated eligible CEWS that operators could apply for totals \$385,000 for that same period. If TBDSSAB were to top-up child care operators, the estimated municipal portion would be \$250,000.

### Fixed Overhead Costs

Retroactive to March 15, 2020, provincial funding may only be provided to support certain fixed overhead costs. These costs include insurance, utilities, and other obligations that operators are required to pay to keep the operator sustainable until it can be re-opened.

Based on a preliminary analysis of child care operator budgets, the estimated reduction of subsidy provided to operators from March 15 to the end of June, under this new fixed-cost funding model, is approximately \$1.9 million.

TBDSSAB's Child care program funding envelope includes two (2) components:

1. 100% Provincial funding, and
2. 80%/20% Provincial/Municipal funding.

The MOE has not provided detail regarding how service system manager funding reductions will be implemented. Assuming the \$1.9 million funding reduction calculated above is solely in the 80/20% component, the municipal share would be levy savings of \$380,000 ( $\$1.9M \times 20\%$ ).

Based on this preliminary analysis, the municipal savings (\$380,000) resulting from the fixed-cost model funding reduction, would be sufficient to cover the 100% municipal cost to top-up child care operators staffing costs noted above (\$250,000) from March 15, 2020 to the end of June.

Historically, the Board has not exceeded its 20% share of child care funding. The option to top-up child care operators' staffing costs would be a departure from this practice. However, if the Board does not provide the top-up to operators from the municipal levy, it will have a negative financial impact on many operators. Given this, the following options are provided:

#### **Option 1:**

Commit to top-up operator staffing costs but direct Administration to submit a letter to Ministry of Education expressing concern over maintaining provincial/municipal funding ratios, and the impact of changing the funding formula retroactively.

#### **Option 2:**

Do not top-up operator staffing costs – child care operators would have to cover the funding shortfall from accumulated surplus or realize an operating deficit.

## **EarlyON Child and Family Centres**

Throughout the closure period, EarlyON Child and Family Centres and Indigenous-led programs have continued to operate, providing virtual programming to children and families. Per the May 11, 2020 announcement, provincial funding will continue to be provided for eligible fixed monthly overhead and operating costs for days/hours worked to provide service. Administration is gathering data to support the funding model. There is no municipal share required.

### **Special Needs**

Special Needs Resourcing services have continued during the closure of child care. They are being delivered virtually, through ZOOM and teleconferencing depending on what the family has requested. Resource Consultants have actively engaged with all the children and families that are on their caseload. They have developed daily schedules that have been shared with the families they support. Parents have been able to attend weekly sessions focusing on parenting at home, as well as developing daily activities and plans to implement these activities.

Provincial funding will continue to be provided for eligible fixed monthly overhead and operating costs for days and hours worked to provide special needs services. There is no municipal share required.

### **Emergency Child Care**

After the March 21, 2020 announcement with respect to emergency child care, TBDSSAB has enlisted three (3) child care operators to re-open and provide services to essential worker families. The province has not provided detail regarding whether additional Provincial subsidy will be provided to support Emergency Child Care or if service system managers are expected to utilize Provincial/Municipal savings resulted from implementation of the funding changes during the closure period.

### **FINANCIAL IMPLICATIONS**

Although some information has been provided by the province, it is still not clear how the funding will be impacted due to COVID-19 measures.

Based on the preliminary financial analysis, the new fixed-cost model for child care operators would result in an overall reduction in funding of \$1.9 million. If the province reduces the 80/20 Provincial/Municipal component, the municipal share would be \$380,000 less than the 2020 Board approved budget.

Also, based on the preliminary financial analysis and the assumptions detailed above regarding topping up child care operator staffing costs, the estimated Municipal cost from March 15, 2020 to the end of June is \$250,000.

The reduction in the municipal share (\$380,000) due to the new fixed-cost model would be sufficient to cover the estimated cost to top-up child care operator staffing costs (\$250,000) from March 15, 2020 to June 30, 2020; however, funding these staffing costs would change the Provincial/ Municipal ratio from 80/20 to 76/24.



**CONCLUSION**

It is concluded that TBDSSAB has an interest in sustaining the existing child care spaces in the system to ensure a stable sector following the conclusion of the Declaration of Emergency in Ontario;

It is further concluded that a letter should be provided to the Ministry of Education regarding funding implications, including maintaining the established Provincial/Municipal cost sharing funding framework.

**REFERENCE MATERIALS ATTACHED**

Attachment #1 – [Letter from Ministry of Education ADM, dated May 11, 2020](#)

<b>PREPARED BY:</b>	Louise Piercey, Manager, Child Care and Early Years Keri Greaves, Manager, Finance The District of Thunder Bay Social Services Administration Board
<b>APPROVED / SIGNATURE:</b>	 Ken Ranta, Director, Integrated Social Services Division Georgina Daniels, Director, Corporate Services Division The District of Thunder Bay Social Services Administration Board
<b>SUBMITTED / SIGNATURE:</b>	 William (Bill) Bradica, Chief Administrative Officer The District of Thunder Bay Social Services Administration Board

**Ministry of Education  
Early Years and Child Care Division**

315 Front Street West, 11<sup>th</sup> floor  
Toronto ON M5V 3A4

**Ministère de l'Éducation  
Division de la petite enfance et de  
la garde d'enfants**

315, rue Front Ouest, 11<sup>e</sup> étage  
Toronto ON M5V 3A4



**TO:** Consolidated Municipal Service Managers and District  
Social Service Administration Boards

**FROM:** Shannon Fuller  
Assistant Deputy Minister  
Early Years and Child Care Division

**DATE:** May 11, 2020

**SUBJECT:** Child Care & EarlyON Sector Funding – COVID Outbreak

---

Thank you again for your continued partnership during this unprecedented, and evolving time.

We know that the COVID-19 outbreak is having significant impacts on families and on the child care sector. This memo sets out details of Ontario's child care sustainability funding approach. This funding approach will be in place during the closure period and will align with the timing of federal supports.

The objective of the funding approach during the closure period is to support financial sustainability across the child care sector, as we know that a stable and accessible child care system will be critical to Ontario's recovery following the COVID-19 outbreak. While our Child Care Funding Formula includes a variety of different funding lines, given the unprecedented times, and that child care services are not currently being provided, as well as the urgency of the situation, we have framed the supports into the two areas of operations: Fixed Overhead Costs and Salary and Wage supports.

## **Child Care Centres**

### ***Fixed Overhead Costs***

As part of the Federal COVID-19 Economic Response Plan, and in partnership with Ontario, the federal and provincial governments have announced the Ontario-Canada Emergency Commercial Rent Assistance Program (OCECRA). The federal government designed the program and program details are being finalized by the federal government. To receive more information, visit the Canadian Mortgage and

Housing Corporation's website and sign-up to receive additional details including when the application process opens:

<https://www.cmhc-schl.gc.ca/en/finance-and-investing/covid19-cecra-small-business>

Provincial funding will be provided by the Ministry of Education for eligible child care operators who benefit from the OCECRA to pay the tenant portion (25%) of rent as outlined in OCECRA. The other 12.5% of provincial funding for those that benefit from OCECRA will flow through the OCECRA process. Child care operators should work with their landlords to determine whether they will benefit from this program.

Please note that school boards will not be charging rent to child care or EarlyON centres located in schools that have closed until the end of the closure period. Child care and EarlyON centre staff will be permitted to enter schools during the closure period to obtain materials and other tools required to support the implementation of the sustainability plan.

Funding will also be provided for other eligible fixed monthly overhead costs, so centres are able to re-open operations following the conclusion of the state of emergency.

Provincial funding will be provided through CMSMs/DSSABs for child care operators that have a purchase of service agreement for general operating and/or fee subsidies. CMSMs/DSSABs will work directly with child care operators in their area to confirm the fixed overhead costs of operators and the applicable 25% tenant portion of rent under OCECRA. For further clarity, not having a purchase of service agreement is defined as not having a purchase of service agreement for general operating and/or fee subsidy funding with a CMSM/DSSAB.

The province will directly fund child care operators who do not have a purchase of service agreement. The Ministry will provide an application form as part of their application process.

### ***Salary and Wage Supports***

The federal government has announced supports for businesses and individuals related to COVID-19, including the Canada Emergency Wage Subsidy (CEWS) for businesses and the Canada Emergency Response Benefit for individuals.

For your ease of reference, below is a link to the federal government site that outlines all federal supports in Canada's COVID-19 Economic Response Plan:

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

All child care centres will be required to apply for Federal COVID-19 Economic Response Plan funding to support staffing costs retroactively to March 15, 2020.

We encourage child care operators to research and optimize these federal supports

for staff not working during the emergency closure period so that they are in a position to re-open following the conclusion of the declaration of emergency and to ensure staff are supported throughout the outbreak.

CMSMs/DSSABs that have committed to providing top-up funding for salaries and wages above the Canada Emergency Wage Subsidy will be required to use municipal funding.

In order to ensure no funding gaps before the Federal COVID-19 Economic Response Plan funding is provided, CMSMs/DSSAB's monthly cash flow will continue so that CMSMs/DSSABs are prepared to action Ontario's child care sustainability funding approach across the sector. Funding will be reconciled starting in August.

### **Home Child Care Providers**

While home child care providers are permitted to operate, the Ministry recognizes that many providers have closed or have seen a reduction in the number of children in their care as a result of COVID-19.

In addition to funding for emergency child care, the following Provincial funding will continue to flow through CMSMs/DSSABs for home child care:

- Base funding for licensed home child care agencies
- Wage enhancement grant funding for licensed home child care providers who have remained active
- Regular funding, including fee subsidy funding, for home child care operators who have continued to operate and serve families

The Province will provide funding to cover the fees for families that are eligible for emergency child care directly to licensed home child care agencies who do not have a purchase of service agreement with a CMSM/DSSAB for general operating/base funding for home child care and/or fee subsidy. The Ministry will provide an application form as part of their application process.

### **EarlyON Child and Family Centres**

While physical EarlyON Child and Family Centres are closed under an Emergency Order, many centres have continued to provide virtual programming. Provincial funding, including salaries and wages, will be provided for the days/hours worked.

EarlyON Child and Family Centres will also be supported through the Ontario-Canada Emergency Commercial Rent Assistance Program (OCECRA).



Provincial funding will be provided to service providers to pay the tenant portion (25%) of rent as outlined in OCECRA. Funding will also be provided for other eligible fixed monthly overhead costs, so centres are able to re-open operations following the conclusion of the state of emergency.

Operating funding for Indigenous-led, off-reserve programming and Special Needs Resourcing funding will continue to be provided for days/hours worked to provide service.

### **Next Steps**

A sample budget template is attached for ease of completion and to ensure consistency, where possible. Financial Analysts and Early Years Advisors at the Ministry will work with CMSMs/DSSABs on individual plans and the funding required during this period.

Municipal contributions represent an important component of funding to the early years and child care sector. In addition to ministry commitments outlined above and federal supports announced, we encourage CMSMs/DSSABs to maintain municipal contributions, where possible.

If CMSMs/DSSABs have or receive questions about issues with eligibility or other requirements, please reach out to your Financial Analyst and Early Years Advisor at the Ministry. We are committed to working with you throughout this period.

### **Additional Supports for Child Care Centres and Home Child Care Agencies**

The following changes have been made to provide additional supports to the child care sector during these unprecedented times:

- Licensing application, renewal and revision fees will be waived during the emergency closure period and for 60 days after the order is lifted.
- Licenses set to expire during the emergency closure period will be automatically extended by 6 months.
- The requirement to provide updated vulnerable sector checks and first aid training renewals for existing child care centre staff and home child care providers and their families will be extended during the mandatory closure period. During this time, child care providers will maintain strict health and safety measures as regulated by the *Child Care and Early Years Act, 2014*.

We are grateful for your partnership and look forward to our continued collaboration going forward. The Ministry continues to depend on service system managers, and your knowledge of the needs of your communities, to make decisions that best

support the early years and child care sector in your service areas. Please continue to let us know how we can support your efforts during this challenging time.

Thank you,

Shannon Fuller