

Fee Subsidy Program

Discussion Paper

This document has been written to provide background information for consultation purposes and to move forward on possible changes to two (2) Fee Subsidy Procedures:

1. The Municipality's past and present policy of reimbursing the Licenced Childcare Provider (LCP) for assessed parent fees when the parent defaults on payments.
2. The Municipality's past and present policy of reimbursing the Licenced Childcare Provider (LCP) for days the child has been absent from the centre above their maximum sick/vacation days allotment.

1. Non - Payment of Parental Fees

The income test provides common eligibility criteria across the province, and is based on a family's adjusted income. "Adjusted Income" means adjusted income as defined in section 122.6 of the *Income Tax Act* (Canada).

The sliding scale income test is designed as follows:

- Families in receipt of subsidy with adjusted income up to \$20,000 are fully subsidized; and
- Parental contribution toward the cost of child care for subsidized families is calculated at 10% of adjusted income between \$20,000 and \$39,999 plus 30% of adjusted income for \$40,000 or more.

Examples of Calculating Annual and Monthly Parental Contributions (Fees):

- A family with adjusted income of \$25,000 annually would have a parental contribution of 10% of \$5,000. Total annual parental contribution would be \$500. Their monthly contribution amount would be \$41.67.
- A family with an annual adjusted income of \$45,000 would have a parental contribution of 10% of \$20,000 (\$2,000) plus 30% of \$5,000 (\$1,500). Total annual parental contribution would be \$3,500. Their monthly contribution amount would be \$291.67.

Parent Fees

The income test is designed such that parents pay the monthly parental contribution as calculated above in each month that their child (ren) needs child care regardless of the number of days of child care per week.

At the end of each month, the LCP’s submit to Childcare Programs an attendance schedule requesting payment for all subsidized families. The payment is based on gross costs minus parent fees = municipality’s net cost of care. In most cases, the LCP requests families to pay their monthly parent fees at the first of each month and the City provides payment for the remaining costs after the month has ended.

The municipality has always provided payment for the parent’s share of fees when there has been non-payment of parent fees. If the family continues to be in arrears, the City may enter into an agreement with the parent to repay their costs directly to the City and an overpayment procedure is required for monitoring and accountability purposes or the parent may pay the centre directly.

<i>Advantages to Existing Procedure</i>	<i>Disadvantages of Existing Procedure</i>
<ul style="list-style-type: none"> • Provides financial support to the Service Providers which in turn ensures a steady monthly revenue source for service delivery 	<ul style="list-style-type: none"> • All parents are not treated consistently. Full fee paying parents are responsible to follow Centre Policy for non-payment of fees, Fee Subsidy Parents may follow City Policy • For subsidized families; there is no incentive to pay fees on time and on a monthly basis. May seem unfair to those families that do pay their fees on time.
	<ul style="list-style-type: none"> • Reduces available fee subsidy funding
	<ul style="list-style-type: none"> • Administrative duplication – Childcare Programs is monitoring and completing paper work associated with non-payment of fees for fee subsidy parents and LCP’s are following their processes for non-payment of fees for full fee paying parents.

2. Sick and Vacation Day Allotments

Fee subsidies are paid to LCP's based on the children's actual attendance within their approved days of subsidized care. Sick and Vacation Allotments are granted to parents to use when their child is ill or on vacation and not attending the program on their approved days of care and where the City will provide fee subsidy payment.

Sick and vacation day allotments are allocated based on the number of days and number of months a child will be accessing childcare in a calendar year. Once the calendar is over, clients are granted new sick and vacation days for the following year and there is no carry over in days as costs are reconciled with the province at year end. The allotments are allocated based on the following policies:

- Full-Time Status (**4 – 5 days per week**) – Maximum allotted per calendar year is 25 days per child for full-time care (10 vacation days, 15 sick days) for less than 12 months, the allotment is two (2) days per month and pro-rated to number of months in care.
- Part-Time Status (**3 days or less per week**) – Maximum allotted is one (1) day per month per child and pro-rated to the number of months in care. (The total is the combined sick and vacation days.)
 - Vacation Periods – A maximum of two (2) weeks/ten (10) working days is permitted for vacation for parent(s) receiving subsidy. A subsidy may be claimed for additional vacation providing they do not exceed the maximum number allowable for annual sick and vacation days.
 - Illness/Extenuating Circumstances – a maximum of three (3) weeks/fifteen (15) working days may be taken for illness. In cases where the number of days absent has exceeded three (3) weeks/fifteen (15) working days, the parent(s) may put their vacation day allotment towards sick days.

The City also provides the LCP with subsidy for a maximum of 12 stat days a year for each child registered to attend the licenced childcare centre when the centre was closed in recognition of the holiday. Therefore if a child was attending five (5) days a week for 52 weeks, the City would provide over 7 weeks (37 days) of subsidy when the child was not in attendance. The only other circumstance where a LCP can claim for subsidy when a child is not in attendance is when a child stops attending the centre but does not give the Centre two (2) weeks' notice. The centre may claim subsidy until the space is filled up to a maximum of ten (10) days.

At the end of each month, the LCP's submit to Childcare Programs the attendance schedule that denotes attendance (e. g. present, sick, vacation & absent days). Absent days are denoted when the client does not inform the LCP the reason that the child is not in attendance. This information is inputted into an electronic system (OCCMS) that tracks these days and flags exceeded days. If a child has exceeded their allotment of days, the Caseworker will over ride the system so the Service Provider is paid the subsidy for the exceeded days. At the end of the year, Childcare Programs will provide written communication to the families regarding the number of

exceeded days, the overpayment amount, repayment agreement and the process to request that the fees be waived due to excessive illness.

The municipality has always provided payment to the Service Providers for the exceeded sick/vacation day entitlements and this overpayment is charged back to the parent unless this overpayment has been waived due to excessive illness.

<i>Advantages to Existing Procedure</i>	<i>Disadvantages of Existing Procedure</i>
<ul style="list-style-type: none"> Provides financial support to the Service Providers which in turn ensures a steady monthly revenue source for service delivery 	<ul style="list-style-type: none"> All parents are not treated consistently. Full fee paying parents are required to pay for the days the child is enrolled in the program even if they are ill or on vacation. Some Service Providers provide some financial relief when parents are on vacation.
	<ul style="list-style-type: none"> Reduces available fee subsidy funding
	<ul style="list-style-type: none"> Childcare Programs administrative workload – written correspondence, tracking exceeded days, calculating overpayments; case filing, monitoring re-payment agreements if applicable, approx 24 hrs. to reconcile all year end costs associated with exceeded sick/vacation days.

Outcome: Childcare Programs has provided additional financial support to LCP's for well over 10 years at a cost close to \$200,000. This funding could support approximately 21 families on a full time basis for a full year (262 days x \$36.00 (avg. cost of a preschool spaces)). The total gross cost to cover these additional expenses was \$224,221.14 with parental repayments of \$28,965.18, leaving a net cost of \$195,255.96.

Outreach to other Consolidated Municipal Service Managers (CMSM's)

Childcare Programs surveyed other CMSM's in Ontario regarding these payments and received 25 responses out of 46. The two questions that were asked on this survey were: Do you provide childcare fee subsidy payments to Service Providers to cover one or both of the following?

1. Parental Contribution if the Parent does not pay the centre
2. Sick, vacation, absent days if the child has exceeded their allotted days.

Summarized Responses to Question 1:

- Twenty-two (22) CMSM's do not cover unpaid parent fees

- Three (3) CMSM's will cover unpaid parent fees

A sampling of CMSM comments:

- No, it is the parent's responsibility to pay. If they don't the provider would have to follow their own collection activities, including legal action if required,
- Yes, however parents must repay before ever being approved again,
- No, it is the provider's responsibility to collect all fees,
- No, providers are expected to collect the parental contribution and to have policies in place that address outstanding fees – they may withdraw service if fees are not paid and may use other methods including collection agency to collect overdue fees.

Summarized Responses to Question 2

- Ten (10) do not cover exceeded sick/vacation days
- Two (2) will cover
- Thirteen (13) will cover for exceptional circumstances such as special needs children, severe illnesses, financial hardship, Ontario Works Leap Clients and hospitalization.

A sampling of CMSM comments:

- We will pay for sick days if the parent exceeds the days allowed in certain cases depending on the illness of the child,
- The parents are given 20 sick/vacation days per year, not including stat holidays. We encourage parents to keep track of the number of days they use. If they go over 20 days the centre bills them directly,
- We only pay the sick/vacation/absent days if they are over their allotment in very, very rare circumstances. We allow 24 days per year so we think families should be able to manage within that allocation,
- No, providers are expected to collect the full cost of care from an applicant if the child has exceeded their allocated days,
- We do not pay the centres for absent days above the child's annual allotment. Our service contract entitles centres to five (5) weeks per calendar year of "absenteeism" which includes sick, vacation and absent days. We also provide centres with two (2) weeks withdrawal without notice (separate from the five (5) wks. Absenteeism),
- Parents, when being approved for childcare fee assistance, are advised that if they exhaust their sick/absent days they will be required to pay the full fee for any additional sick/absent days. We advise parents on fee subsidy when they have used 75% of their sick/absent allocation and monitor through this using OCCMS (Ontario Child Care Management System) software.

Recommendations:

1. That the City give LCP's notice that effective January 1, 2010, LCP's are responsible for collecting all parental fee contributions. By changing this policy, it brings the City more in line with other CMSM's. This policy change also supports fair treatment of all parents accessing licenced childcare; the LCP's will be applying the same policy for subsidized parents as they do for full fee paying parents regarding outstanding parent fees. The impact to LCP's should be minimal as procedures will already be in place for full fee paying parents.
2. That the City give LCP's notice that effective January 1, 2010, Providers are responsible for collecting full fees for subsidized families that exceed their sick/vacation day allotments. If there is extenuating circumstances, the parent would be responsible to contact Childcare Programs to request an increase in sick days due to severe illnesses or hospitalization. Childcare Programs would determine whether to revise the maximum allotment reported on the attendance schedule and this will be communicated to the parent and LCP. If the parent has paid full fees for the days, a credit would be assigned to the family.