

# **KINGSTON FRONTENAC**

## **CHILDCARE WAGE SUBSIDY**

### **DISTRIBUTION MODEL**

APPROVED BY CITY COUNCIL – NOVEMBER 6, 2007



**CHILDCARE PROGRAMS  
COMMUNITY AND FAMILY SERVICES**

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# GLOSSARY OF TERMS

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<b>Agency</b>	a Service Provider that provides licenced care and early learning programs for children up to 12 years of age or is funded through the City to provide supports to children with special needs in licenced programs
<b>Benchmark Allocation (current)</b>	lesser of - previous year's Benchmark Allocation or current entitlement calculated from previous year's wage subsidy worksheet submission
<b>Equitable Distribution</b>	each identified "pressure" agency receives an allocation that will fund it to the same percentage of entitlement (e.g. each agency will receive 90% of the maximum entitlement).
<b>Equal Percentage of Entitlement</b>	a formula that determines the equal percentage of entitlement based on available fiscal funding and identified pressures
<b>Fiscal Balance</b>	total available Wage Subsidy funding from all streams minus the amount required for the Current Benchmark allocations
<b>Fiscal Allocation (current)</b>	equitable share of the remaining Wage Subsidy Fiscal Balance that is provided to identified "pressure" agencies and allocated based on "equal percent funding of entitlement"
<b>Initial Benchmark for Single Site agencies</b>	the 2007 annualized wage subsidy allocation. This does not include any one-time fiscal payouts (e.g. Best Start & ELCC).
<b>Initial Benchmark for Multi-site agencies</b>	the 2007 consolidated annualized wage subsidy allocation. This does not include any one-time fiscal payouts (e.g. previous Best Start & ELCC).
<b>In-Year Surplus</b>	usually temporary or one-time surpluses that have been identified by the Agency (e.g. temporary staffing changes).
<b>Multi-site Agency</b>	a Service Provider that provides licenced care and early learning programs for children up to 12 years of age at two or more sites.
<b>New Agency</b>	a Licenced Service Provider that opened for service on or after January 1, 2007.
<b>Pressure Agency</b>	an agency that is not receiving 100% of its current entitlement.
<b>Site</b>	a location where licenced care and early learning programs are provided.
<b>Wait List</b>	listing of new agencies effective January 1, 2007, in their first calendar year of operation and pending completion and submission of their first wage subsidy worksheet

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# TRANSITIONING TO A NEW WAGE SUBSIDY DISTRIBUTION MODEL

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## **Transition from:**

- Existing wage subsidy model **to** new model
- Three year reviews **to** yearly reviews
- Annualized Allocations **to** Yearly Benchmark Allocations + Fiscal Allocations

## **Objectives of new Model**

- Gradually increase funding fairness and equity to all agencies without destabilizing long standing fully funded agencies through a sudden or unforeseen funding reduction
- Provide a fair and sustainable model of distribution that is able to address agency addition, expansion and downsizing within a fixed overall funding envelope
- Maximize funding utilization and minimize incidence of funding surpluses and returns to the Province
- Increase Multi-Site agency flexibility to increase both service delivery and administration efficiency and to enable equitable subsidy distribution to staff
- Support Childcare Service Management strategies identified in the local Childcare Service Plan
- Streamline processes for expanding agencies and standardize funding wait times for new agencies
- Comply with related provincial program guidelines and requirements.

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# NEW WAGE SUBSIDY DISTRIBUTION MODEL

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Effective January 1, 2008, wage subsidy allocations will be based on a combination of a benchmark allocation and a fiscal allocation.

Benchmark allocations will be based on previously annualized wage subsidy allocations. Benchmark funding will always be allocated first in the calculation of wage subsidy entitlement and disbursement.

Fiscal allocations will be funded from the remaining balance of the total available wage subsidy funding for the year once the benchmark funding requirement has been determined.

<p style="text-align: center;"><b>Wage Subsidy Allocation = Benchmark Allocation plus + Fiscal Allocation</b></p>
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The sum of these two allocations will be based on the maximum calculated entitlement for the previous year:

- The Benchmark allocation will be equal to the lesser of:
  - the previous year's benchmark amount
  - or*
  - the maximum calculated entitlement based on current provincial guidelines
  
- Fiscal allocation will be based on equitable entitlement distribution of the available fiscal balance

The Benchmark or Fiscal Allocation may equal zero (\$0.00) depending on the individual agency's previous benchmark and/or entitlement as well as the amount of fiscal balance available for distribution.

Wage Subsidy allocations for the upcoming year will be determined annually for each agency based on their submissions of site specific wage subsidy entitlement worksheets due by October 15<sup>th</sup> of each year. This means that wage subsidy allocations are based on previous year's wage subsidy entitlement worksheets.

## **Wage Subsidy Benchmark Allocation:**

Existing agencies in receipt of a previously annualized wage subsidy allocation will continue to receive this level of funding (2007 annualized allocation) unless downsizing occurs and their current year entitlement is less than their previous year's amount.

If an agency with a benchmark allocation downsizes, the benchmark will be adjusted if necessary to 100% of the affected site's program entitlement. The surplus funding identified by the re-calculation will become part of the fiscal balance available for fiscal allocation.

Benchmark allocations will be distributed in 12 monthly payments commencing in January of each year to eligible existing agencies.

Agencies whose current benchmark funding is less than 100% of their entitlement, based on current provincial wage subsidy guidelines, will be identified as “**pressure agencies**”.

#### **Wage Subsidy Fiscal Allocation:**

All identified “**pressure agencies**”, including both those in receipt of benchmark funding as well as those without a benchmark allocation may be **eligible for a share of the “available fiscal balance”**.

Allocation of the fiscal balance to eligible pressured agencies will result in total funding (benchmark plus fiscal) for each eligible (“pressured”) agency equal to the same percentage of entitlement.

Fiscal allocations will be cashflowed as of May of each year, with the May payment including five months of entitlement and the balance cashflowed on a monthly basis for the remaining seven months.

#### **Wage Subsidy Entitlement for Multi Sites (including Duo Sites):**

New Wage Subsidy flexibility for Multi-site agencies includes:

- Allocation of funds as one “consolidated” agency envelope; the consolidated entitlement will equal the sum of the individual site entitlements.
- Pressure identification based on the consolidated agency
- Distribution of funds among staff and sites determined by “agency board” approved policy; Agency Wage Subsidy Distribution Policies will reflect the intent and program guidelines of provincial wage subsidy funding as detailed in the local City of Kingston Wage Subsidy Policy Manual (e.g. maximum allocation per FTE and eligible positions) and be submitted for approval to the City as part of the service provider agreement.

#### **Additional Components:**

Additional allocations of either new funds or identified in-year surpluses may also be provided as year end payments, based on the same distribution principle, to agencies with remaining pressure.

2007 previously annualized Wage Subsidy funding levels will be reduced in 2008 where an agency is determined to have been over funded (greater than 100% of calculated entitlement) or when an agency downsizes.

New agencies, commencing operations after January 1, 2007 will not be eligible to submit wage subsidy worksheets in their first calendar year of operation.

**Sample Allocation Table:**

The following table demonstrates the relationship of Benchmark and Fiscal Allocations as well as the distribution principle of “equal percentage of entitlement” for allocation of the fiscal balance funds. The agencies represented in this table could be either single site or multi site operations. In the case of multi-site agencies, the funds denoted in the table would represent consolidated entitlements and allocations.

For the purpose of this example, we are using much smaller numbers than our actual figures. Likewise, the sample allocations are strictly to provide an example and not based on any actual entitlement:

Total available wage subsidy funding for the year: \$ 1,932  
Sum of Benchmark Allocations: \$ 1,320  
Total available fiscal balance for distribution: \$ 612

Calculated percentage of funding available for agencies with identified pressures: 80%

Agency	Entitlement per worksheets	Benchmark Allocation	Pressure	Fiscal Allocation	Total Allocation	% Funding
A	635	635	0	0	635	100%
B	200	185	15	0	185	92.5 %
C	100	60	40	20	80	80.0%
D	560	380	180	68	448	80.0%
E	280	60	220	164	224	80.0%
F	450	0	450	360	360	80.0%
TOTALS	\$ 2,225	\$ 1,320	\$ 905	\$ 612	\$ 1,932	86.8 %

***In the above example:***

Agency A’s benchmark allocation is equal to 100% of its entitlement and therefore it is not identified as a “pressure” agency; it is not eligible for a fiscal allocation.

Agency B’s benchmark allocation is less than 100% of its entitlement and is therefore identified as a “pressure” agency. However, its benchmark funding (92.5%) is greater than the estimated funding level available for agencies on the pressure list (80%) and therefore it is not entitled to any fiscal allocation.

Agencies C, D, and E’s benchmark allocations are less than 100% of their respective entitlement and therefore, they are identified as “pressure” agencies. Each are eligible for a fiscal allocation, however the amount of fiscal allocation each is entitled to varies both in the dollar value and in percentage payout. Ultimately all three of these agencies are funded to an equal percentage of entitlement, 80%, based on the calculated funding level available for agencies with identified pressures.

Agency F does not receive any benchmark funding and therefore is reliant on a fiscal allocation for all of its wage subsidy funding. Following the equal percentage of entitlement principle, this agency is also funded to 80% of entitlement.

In this example the percentage payout is 80%. This figure has been used for this example only and is not reflective of the actual fiscal amount or percentage available for distribution.

***This percentage is not fixed or guaranteed. It will vary according to the total amount of pressure as well as the total fiscal balance of wage subsidy funds available for distribution each year.***

While there is no minimum rate of distribution entitlement, the maximum amount allocated to any agency will not exceed 100% of its entitlement based on submitted wage subsidy worksheets.

The figures and funding allocations used in this example are used to demonstrate the wage subsidy funding model including Benchmark Allocation, Fiscal Allocation and the fiscal balance distribution principle of “equal percentage of entitlement”.

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# GETTING STARTED...THE TRANSITION

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All sites in operation as of January 1, 2007 will submit site specific wage subsidy worksheets for 2008 entitlement.

## **Timelines**

- Wage subsidy worksheets will be provided to all eligible agencies by September 15<sup>th</sup>, 2007.
- All childcare sites wage subsidy worksheets will be submitted by October 15<sup>th</sup>, 2007 based on the sites' September 30<sup>th</sup>, 2007 program and staffing patterns.
- The maximum entitlements by site for 2008 will be determined by November 30, 2007, using the September 30<sup>th</sup> data.
- Where the service provider is aware that operating capacity will increase between the yearly September 30<sup>th</sup> reporting day and January 1<sup>st</sup> of the upcoming year, the service provider will report the anticipated increase by the October 15<sup>th</sup> reporting deadline. The anticipated increased operating capacity will be used in the calculation of the upcoming year's wage subsidy entitlement and will be funded accordingly, provided subsequent written confirmation of the operating increase AND an updated wage subsidy information sheet are submitted by December 31<sup>st</sup>.

## **Initial Benchmarking**

- Agencies that were in receipt of an annualized wage subsidy allocation prior to January 1, 2007 will be benchmarked as follow:
- For single site agencies, the initial benchmark will be the 2007 annualized subsidy allocation and will be used as the benchmark for 2008 funding.
- For Multi-site agencies (including duo sites), a Consolidated 2007 Annualized Wage Subsidy allocation equal to the sum of the annualized entitlement of all sites in operation as of January 1, 2007 will be used as the initial benchmark for 2008 funding.

## **Wage Subsidy allocations for 2008:**

When an agency's maximum entitlement calculation (or consolidated maximum entitlement calculation for multi-sites) based on their 2007 wage subsidy worksheet submission is:

- Less than their initial benchmark amount, the Agency will receive their 2007 maximum entitlement amount.
- Equal to their initial benchmark amount, the Agency will continue to receive the benchmark amount.
- More than their initial benchmark amount, the Agency will receive the benchmark amount plus be eligible for a share of the available fiscal balance that provides an equitable allocation to all agencies whose initial benchmark allocation is less than 100% of their maximum entitlement.

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## NEW AGENCY

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### Designation

Agencies that commence operations after January 1, 2007 will not be permitted to prepare and submit wage subsidy worksheets in the calendar year they open.

- New agencies that commence operations on or after January 01, 2007, will be required to submit a letter of intent to enter into a service agreement for wage subsidy funding prior to placement on the Wait List.
- Upon receipt of their letter of intent, these new agencies will be placed on a Wait List, along with notation of their operational start date as determined by their operating license date.
- These agencies will remain on the Wait List for both the calendar year they commence operations (Year 1) as well as the following year (Year 2), submitting their wage subsidy worksheets in October of Year 2 (e.g. agency opened on April 1, 2007, submitted worksheets on October 15<sup>th</sup>, 2008 and considered for funding in January 2009).
  - Agencies may be on the Wait List from 10 months to 22 months.  
*(Rationale: allows the agency time to establish themselves and validate the feasibility of their service).*

Once new agencies have submitted their first worksheet(s) after the required wait period, they will be eligible for wage subsidy funding and will be identified as “pressure agencies” and treated accordingly including entitlement for wage subsidy fiscal balance funding.

New sites operated by agencies already in receipt of wage subsidy funding in Kingston and Frontenac will not be subject to the Wait List process as they will be included in the calculations to determine the consolidated maximum entitlement.

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# SITE RE-LOCATION

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All sites that re-locate and receive a Wage Subsidy Benchmark or a combined Benchmark and Fiscal allocation may retain their Benchmark entitlement and continue to be eligible for a Fiscal balance allocation without a waiting period if they meet all of one of the following Site Re-location Policy criteria. Protection of the Benchmark entitlement will not apply to sites that downsize as part of their site re-location.

## **Criteria 1**

- Locate in close proximity to the previous site
- Serve the same families
- Retain the same staff as previous site
- Maintain continuous service with no more than ten business days between the closure of one site and the opening of the other site; time extensions may be approved for minor and major renovations or construction
- Submit a letter of relocation notice to Community and Family Services, Childcare Programs, three months prior to closure requesting approval of change in location to continue receiving wage subsidy. This letter needs to include verifiable information confirming that the first four requirements will be met.

**OR**

## **Criteria 2**

- Re-locating to an area identified in the Kingston Frontenac Childcare Management Service Plan as a gap in childcare service.
- Maintain continuous service with no more than ten business days between the closure of one site and the opening of the other site; time extensions may be approved for minor and major renovations or construction
- Submit a letter of relocation notice to Community and Family Services, Childcare Programs three months prior to closure, requesting approval of change in location to continue receiving wage subsidy.

Time extensions for temporary closure for relocation may be approved for renovations or construction under either of the above criteria, where requested in advance per the criteria description and supported by MCYS childcare licensing agents.

Sites that receive Fiscal Balance allocations only will be subject to the annual process of determining funding based on the equal percentage of entitlement distribution; therefore there is no guarantee of a fixed allocation from year to year.

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## IDENTIFICATION AS A “PRESSURE” AGENCY

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### Criteria

- Agencies will be identified as “pressure” agencies for wage subsidy entitlement purposes when all of the following criteria are met:
  - Agency/site is operational and located within the Kingston Frontenac area;
  - Wait list term has been completed;
  - Wage subsidy worksheet for current year ending have been submitted by the prescribed timelines; and,
  - Current Wage Subsidy Benchmark allocation is less than 100% of maximum entitlement (if applicable).
  
- Multi-site agencies will be identified as “pressure” agencies based on their maximum consolidated entitlement; consolidated entitlement being defined as the sum of the individual entitlements of all operational sites.
  
- Agency expansion will be reported annually when completing the yearly wage subsidy worksheets and “pressure agency” identification will usually be reflected in the upcoming year’s Wage Subsidy Funding Spreadsheet.
  
- Dedicated Pressure Lists will no longer be maintained.

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# WAGE SUBSIDY DISTRIBUTION

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## **Principles**

Wage Subsidy funding is currently provided under three provincial program streams: Regular (Day Nurseries Act), Early Learning and Child Care (ELCC) and Best Start.

Wage subsidy funding to eligible agencies may include funds from all wage subsidy funding streams including Regular (DNA), ELCC, Best Start and any new funding initiatives that may apply.

Funding stream allocation of wage subsidy moneys to agencies will be managed by Childcare Programs in a manner that minimizes criteria limitations, optimizes utilization of the funds, and streamlines/simplifies reporting requirements wherever possible.

Best Start Wage Improvement funding and Pay Equity funding are not included in this distribution model.

Agencies that previously received annualized wage subsidy funding will continue to receive this funding as a “benchmark” allocation until such time as an individual agency’s program changes (downsizes) and results in a lesser entitlement.

As timely and accurate agency submission of annual wage subsidy worksheets is essential to the determination of funding allocation for the upcoming year, progressive consequences will be imposed for late, incomplete or inaccurate submissions.

Agencies will distribute wage subsidy within their organization based on formal written policies approved by their “Board” (or developed and followed by the owner in the case of commercial operators) and the City. These policies will reflect the intent of the program as detailed in the City of Kingston Wage Subsidy Policy Manual.

## **Administration for Single Site Agencies:**

- Wage Subsidy worksheet templates will be distributed by Childcare Programs to eligible agencies by September 15<sup>th</sup> each year.
- Wage subsidy worksheets based on programs and staffing patterns will be completed by agencies on a “**by site**” basis annually as of September 30<sup>th</sup> each year.
- Worksheets will be submitted to Community and Family Services Childcare Programs by October 15<sup>th</sup> each year.
- Due to tight timelines between the October 15<sup>th</sup> receipt of submission and the December 15<sup>th</sup> finalization of upcoming year allocations, late submission of wage subsidy worksheets will result in gradual funding reductions as follows:
  - Between October 16<sup>th</sup> - 31<sup>st</sup> : 5% reduction in up-coming year overall allocation
  - Between November 1<sup>st</sup> - 15<sup>th</sup>: 10% reduction in up-coming year overall allocation
  - Between November 16<sup>th</sup> -30<sup>th</sup>: 15% reduction in up-coming year overall allocation

- Between December 1 – 15<sup>th</sup>: 20% reduction in up-coming year overall allocation
- After December 15<sup>th</sup>: funding will be reduced to 50% of year-ending allocation and cashflow will be suspended until the submission has been received.
- After April 15<sup>th</sup> of the following year, no submissions will be accepted and funding will be revoked for the year.

The above penalties will not be reflected in the Benchmark figures used to calculate future year entitlement.

Wage Subsidy cashflow may also be delayed as a result of late worksheet submission.

- Benchmarked Allocations will be cashflowed at the beginning of each month (12 payments).
- Fiscal Allocations will be initially cashflowed in May and will represent five months of funding and the remaining seven months will be paid out monthly (included with the benchmark allocation, if applicable).
- Year-end payments may be provided as available, including new funding or identified in-year surpluses.
- In-year downsizes will be reported in writing to Community and Family Services within 30 days of staff or program changes and Childcare Programs will re-calculate allocation and revise remaining monthly amounts. Downsizes will also be reported on the quarterly wage subsidy reports as well as year-end utilization statement.

Additional new funding and in-year surpluses will be allocated on the basis of “equal percentage of entitlement”.

### **Administration for Multi-Site Agencies**

Distribution of wage subsidy for Multi-site Agencies is the same as Single Site Agencies with the following additions:

- Multi-site Agencies may distribute in-year site surpluses to new and existing sites that are not receiving their full entitlement. This will include allocations for private homes.
- In-year transfers must be reported on the quarterly reports and reflect on year end utilization statement.
- Additional surpluses must be reported to Childcare Programs for in-year re-allocation according to this revised distribution model.
- Surpluses from site closures may not be distributed to remaining sites. These in-year surpluses must be reported in writing to Community and Family Services Childcare Programs three months in advance of closure. Entitlement adjustments related to site closures will be prorated between the Benchmark and Fiscal allocations based on the relative portion of each allocation within the Consolidated Allocation.
- In year surpluses from closures will be re-distributed to “Pressure Agencies” based on “equal percentage of entitlement”.