

For Information

DATE: October 1, 2009

REPORT TITLE: **ELIMINATION OF PARENTAL CO-PAYMENT FOR PARENTS RECEIVING
SUBSIDIZED CHILD CARE**

FROM: Janet Menard, Commissioner of Human Services

OBJECTIVE

To inform Regional Council about the need to bring subsidized child care policies into compliance with provincial requirements.

REPORT HIGHLIGHTS

- Parents receiving subsidized child care frequently incur out of pocket expenses for parental co-payments over and above provincial requirements.
- The out of pocket parental co-payment consists of parental contribution above the Regional per diem maximum rate cap and a minimum child care per diem user fee.
- Parents pay the difference between the external child care provider's market rate and the Regionally imposed child care per diem maximum rate cap.
- The Region also imposes a minimum \$5.00 per day per family parental user fee for parents receiving subsidized child care.
- Eligibility for child care fee subsidy is determined using the Provincial income testing model which is intended to provide full subsidy to those with an adjusted income under \$20,000.
- In Peel, a single parent with \$20,000 net income, with one child could pay a \$5.00 daily fee and the funding gap between the regional subsidy and provider cost.
- Under the Provincial income testing model, the parent should pay \$0.
- As a result of current economic conditions, families are experiencing increased financial pressures.
- Staff is currently reviewing the financial impact of eliminating the parental co-payment policy.
- The elimination of parental co-payment proposal will be presented as a base budget adjustment as part of the 2010 budget process.

DISCUSSION**1. Background**

Currently in Children's Services, parents deemed through income testing to be eligible for full subsidy incur out of pocket expenses for parental co-payments. A component of the parental co-payment was a policy adopted by the Region to maximize limited child care fee

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subsidy funds to as many qualifying families as possible. This measure went into effect with the provincial downloading of the program in 2000 and prior to the provincially mandated change from needs testing to income testing.

2. Parental Co-Payment Components

The out-of-pocket parental co-payment consists of two parts:

- Parental contribution above the Regional per diem cap maximum
- A minimum parental child care per diem user fee of \$5.00 per day

a) Parental fees above the Regional maximum per diem rate cap

The Region currently has purchase of service contracts with 150 external child care providers. The Region currently imposes a per diem rate cap on the amount of child care fees paid to external child care providers. As a result, an increasing number of child care providers' market rates are greater than the regional maximum rate caps.

The last increase to the per diem maximum rate cap was approved over five years ago. However, annually, the child care providers increase their market per diem rates to cover cost of living increases and maintain program quality. The Region's maximum rate cap has not kept pace with the service providers' rates.

Age Groups	Age Range	Current Regional Per Diem Maximum Rate	% of Child Care Providers That Has Market Rates Higher Than The Regional Per Diem Rate Cap
Infants	0-18 months	\$55.00 per day	14%
Toddlers	18-30 months	\$36.00 per day	88%
Preschool	30 months-6 years	\$31.00 per day	93%
School Age (Before & After)	6-12 years	\$21.00 per day	83%
School Age (Full Day)	6-12 years	\$31.00 per day	81%

As a result, low income parents are required by the providers to pay out-of-pocket, the difference between the market rates and the Regional maximum rate cap directly to the child care providers.

b) Parental child care per diem user fee

Eligibility for child care fee subsidy is currently determined using the Provincial income testing model. Income testing at its core is intended to provide eligibility for full subsidy to those with adjusted income under \$20,000. Section 66.4 (2) of O. Reg. 262 of the *Day Nurseries Act* states that "A parent shall not pay any of the cost of child care for their children, if the parent is the recipient of a child care subsidy and has a total adjusted income of \$20,000 or less."

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Under the model, parents are expected to cost share on a sliding scale, based on the net adjusted family income.

Net Adjusted Family Income	Mandatory Parental Contribution Under the Income Testing Model
\$0 to \$20,000	Fully subsidized, (\$0 parental contribution)
\$20,000 to \$40,000	10% of the adjusted income between \$20k - \$40k
Over \$40,000	10% of the adjusted income between \$20k - \$40k PLUS 20% of the adjusted income over \$40 k

Currently, the Region charges a minimum child care user fee of \$5 per day, per family. This is charged to qualifying families including those whose contribution should be zero, as per income testing model. The parental user fee was a strategy adopted in 2000 when the province downloaded the program to the Region of Peel which was designed to help offset the child care funding shortfall by providing additional revenue.

The Ministry of Children and Youth Services has strongly discouraged delivery agents from adopting user fees over and above the income tested parental contribution. During the last subsidy program audit, the Provincial Program Auditor report repeatedly commented on Peel's user fees.

c) Financial Impact on Low Income Parents

Given the current economic climate, an increasing number of our working poor families are finding it difficult to pay the parental co-payment amounts. It is projected that more than 80 per cent of parents receiving subsidized child care will benefit with the removal of the parental co-payment policy. This translates into 2,650 parents (households), with 4,000 children.

Under the current policy, the parental co-payment is calculated as the higher of:

- (a) Child care agency's market rate less Regional maximum rate cap
- (b) Minimum parental \$5 user fee

An example of a parent that is financially negatively impacted by the Regional parental co-payment policy is provided.

A single parent has an income of under \$20,000. The parent has one pre-school child. The parent has been assessed to pay \$0 as per Provincial income testing. The market fee at the centre where the child attend charges \$43.20 per day which exceeds the Region's maximum per diem rate of \$31.00. Therefore, instead of paying \$0, the parent pays \$12.20 per day to the provider (\$7.20 in parental fee above the Regional maximum rate cap and \$5 parental user fee). This translates to \$3,184 per annum or 16 per cent of the parent's annual net income.

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3. Proposed Direction

Staff is currently assessing the impact of an increase of the Regional per diem maximum rate cap and the elimination of the \$5.00 daily parental user fee. These strategies are aligned with the Human Services Plan and will increase the affordability and accessibility of early learning and child care in Peel, reduce the financial burden on families, support poverty reduction initiatives and help to maintain child care program quality. Additionally, the removal of the parental user fee will ensure that Peel becomes compliant with the Provincial income testing methodology.

It is important to note that the proposed measures will not result in service level increases rather they will provide financial relief to our working poor families already receiving child care fee subsidy but finding it increasingly difficult to afford it.

The elimination of parental co-payment proposal will be presented as a base budget adjustment as part of the 2010 budget process.

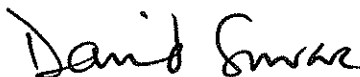
CONCLUSION

The elimination of the parental co-payments for subsidized child care represent a significant step forward in improving the affordability and accessibility of early learning and child care opportunities for low income families in Peel. The removal of user fees complements current poverty reduction strategies and aligns with the objectives of our Human Services Plan and brings Peel into compliance with provincial requirements.



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Commissioner of Human Services

Approved for Submission:



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