

**ONTARIO**

**CHILD CARE SERVICE**

**MANAGEMENT GUIDELINES**

**WAGE SUBSIDY**

## WAGE SUBSIDY

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## WAGE SUBSIDY GUIDELINE

### PART 1: OVERVIEW OF WAGE SUBSIDY

#### 1.0 INTRODUCTION

The purpose of this document is to provide CMSMs and DSSABs with an overview of the ministry's current policies, standards, requirements and expectations with regard to the management of wage subsidy. The document is organized into three main sections: part one provides an overview of wage subsidy, prescribed services and cost sharing; part two explains the required wage subsidy standards, policies and practices; and part three provides information about protocols for managing wage subsidy funds. The appendix contains templates related to the wage subsidy requirements.

In their role as child care service system managers, Consolidated Municipal Service Managers (CMSMs) and District Social Service Administration Boards (DSSABs) plan and manage the wage subsidy program within the parameters of legislation, regulations, standards and policies established by the province.

In November 2004, the Ministry of Children and Youth Services (MCYS) announced Ontario's Best Start Strategy. Best Start is a comprehensive, evidence informed early learning and care strategy designed to help provide Ontario's children the best possible start in life and help them to achieve success in school. Best Start is comprised of a number of components including the expansion of the licensed child care system. The expansion of child care is funded through the 2003 Multilateral Framework on Early Learning and Child Care (ELCC) and the 2005 federal funds.

The child care component includes increased access to quality child care and development of an integrated and seamless system of early learning and care. Phase One of Best Start will focus on expanding the number of child care spaces and subsidies for children in Junior Kindergarten (JK) and Senior Kindergarten (SK), with moderate growth in the overall child care system for children ages 0 to 4 years.

Under Best Start, funding has been extended to provide wage subsidies to staff positions in new and expanded spaces created as a result of the Best Start Plan and to support an increase to the average salary of early childhood program staff in the existing child care system.

**This document outlines the minimum requirements for the management of wage subsidy and supersedes all previous wage subsidy guidelines.**

## 1.1 WAGE SUBSIDY OVERVIEW

The wage subsidy program was introduced in 1987. The program provides funding to service providers to improve the salaries and benefits of child care workers to enhance staff stability and to make licensed child care more affordable for all parents. Wage subsidy is defined under the DNA O. Reg. 262, Section 1.

There are three types of wage subsidy funding:

- Wage Subsidy – cost shared with CMSMs and DSSABs
- Best Start Wage Subsidy – not cost shared with CMSMs and DSSABs
- Best Start Wage Improvement Funding – this includes a Private-Home Day Care Provider Grant- not cost shared with CMSMs and DSSABs

Wage Subsidy has three components:

- The Direct Operating Grant was introduced in 1987 to enable licensed child care centres and private-home day care agencies to increase salaries and benefits of staff and to maintain affordability of services.
- The Provider Enhancement Grant was introduced in 1992 to enable private-home day care agencies to provide additional payments to private-home day care providers. This grant is defined under the DNA O. Reg. 262, Section 1.
- The Wage Enhancement Grant was introduced in 1991 to assist child care organizations unable to commence pay equity adjustments to increase compensation for employees, as required under the original Pay Equity Act.

Funds from the 2003 Multilateral Framework on Early Learning and Child Care (ELCC) should continue to be used for wage subsidies for licensed programs serving children ages 0 to 5 years, in either the non-profit or for-profit sectors, with a focus on services for children ages 2.5 to 5 years in the broader school community.

## 1.2 BEST START WAGE SUBSIDY OVERVIEW

To support expansion of Ontario's licensed child care system, Best Start has allocated funds (2005/06 and onwards) to support staff in:

- new programs serving children in JK and SK - priority under the Best Start Strategy
- new programs serving children ages 0 to 4 years
- expansions to licensed capacity for children in JK/SK – priority under the Best Start Strategy
- expansions to licensed capacity for children ages 0 – 4 years
- programs for new enrolment of children ages 0 – 5 years to fill existing vacant licensed capacity

Best Start Wage Subsidy has three components:

- **Best Start Direct Operating Grant**

The Best Start Direct Operating Grant provides wage subsidies for staff in new and expanded programs for children ages 0 – 5 years. The grant is calculated according to the number of children enrolled and the hours of operation.

- **Best Start Provider Enhancement Grant**

The Best Start Provider Enhancement Grant provides additional compensation to private-home day care providers, based on new enrolment of children ages 0 – 5 years.

- **Best Start Wage Enhancement Grant**

The Best Start Wage Enhancement Grant provides wage enhancement for staff in new and expanded programs for children ages 0 – 5 years. The grant is based on the number of FTE staff employed.

### **1.3 BEST START WAGE IMPROVEMENT FUNDING**

Best Start has allocated funds (2006/07 and onwards) for additional wage improvements to attract and retain early childhood education professionals through new wage improvement funds.

Best Start Wage Improvement Funding provides funds towards an annual wage increase for all existing early childhood program staff currently working with children ages 0 – 12 years in the regulated child care system in Ontario, in both the for-profit and non-profit sectors, as well as new early childhood program staff required for new spaces created under the Best Start Plan. Service providers will need to demonstrate to the CMSMs and DSSABs that the funds have been spent to accomplish this.

The Best Start Wage Improvement Funding includes a Private-Home Day Care Provider Grant to provide additional compensation to existing private-home day care providers currently providing care for children ages 0 to 12 years.

### **1.4 PRESCRIBED SERVICES**

Under O. Reg. 262 of the *Day Nurseries Act*, the provision of day nursery, private-home day care and in-home services, children's recreation programs, funding to participants in employment assistance activities under the *Ontario Works Act, 1997*, resource centres and special needs resourcing are prescribed services. Employees of day nurseries, private-home day care agencies, resource centres and special needs

resourcing agencies may be eligible for wage subsidy. Private-home day care providers may be eligible for the provider enhancement grant. Please refer to the *Child Care System Guideline* for additional information on prescribed services.

## **1.5 COST SHARING**

In the past, the province has paid 80% of the approved costs of wage subsidy and provider enhancement grants, with CMSMs and DSSABs funding the remaining 20% of costs. The province has also cost shared 50% of the CMSMs and DSSABs approved administration costs. In territories without municipal organization, the province has paid 100% of the program costs and administrative costs. This includes funds received in 2004/05 under the 2003 Multilateral Framework on Early Learning and Child Care Agreement.

Beginning in 2005/2006, municipalities will not have to cost share program and administration costs on the new federal funding for the expansion of early learning and child care for the duration of the new 2005 Ontario-Canada Early Learning and Child Care Agreement and the new funds received under the 2003 Multilateral Framework on Early Learning and Child Care.

CMSMs and DSSABs will continue to cost share on previously cost shared child care services.

## **PART 2: REQUIRED WAGE SUBSIDY STANDARDS, POLICIES AND PRACTICES**

This section outlines the ministry's current standards, policies and practices related to wage subsidy as follows:

- eligibility requirements;
- use of wage subsidy funding; and
- wage subsidy calculations.

### **2.0 Programs Eligible for Wage Subsidy and/or Best Start Wage Improvement**

Eligibility for one or more components of wage subsidy funding and Best Start Wage Improvement is based on meeting the requirements for specified types of programs and staff positions. Child care programs must meet the following requirements to be eligible for wage subsidy funding or Best Start Wage Improvement.

- programs licensed by the MCYS in accordance with the Day Nurseries Act (DNA) and other programs funded through the DNA which are incorporated as non-profit under one of the following definitions:
  - programs operated by Municipalities; or

- programs incorporated under the auspices of a church denomination or other religious organization; or
- programs operated as non-profit agencies under a special bill of the Ontario or Federal Legislature; or
- programs operating on Canadian Forces Bases which are non-profit but not incorporated; or
- programs incorporated under the Ministry of Colleges and Universities Act; or
- programs which are operated by a corporation without share capital to which Part III of the Corporations Act applies; or
- programs which are operated by a corporation which is incorporated under the Co-operative Corporation Act and which has articles providing that the corporations will be carried on without purpose of gain for its members;
- for-profit programs licensed by the MCYS in accordance with the DNA;
- non-profit organizations providing special needs resourcing services for children with special needs in child care settings;
- non-profit resource centre programs (unique satellites) co-funded by the MCYS and CMSMs/DSSABs.

Private-home day care providers may be eligible to receive the Provider Enhancement Grant if they are associated with a licensed private-home day care agency. Private-home day care providers are not employees of the private-home day care agency.

Employees of children's recreation programs are not eligible to receive wage subsidies.

## **2.1 STAFF ELIGIBLE FOR WAGE SUBSIDY FUNDING**

Wage Subsidy may be paid to eligible staff in a child care program and staff in private-home day care agencies. In an eligible child care program, full and part time permanent staff may benefit.

The following lists examples of permanent positions typically found in a child care program, which are eligible for wage subsidy funding:

- Trained and untrained program staff
- Supervisors/ Administrators
- Private-home day care home visitors
- Resource teachers
- Clerical Staff
- Cooks
- Housekeeping and Janitorial Staff
- Bus Drivers

A permanent position is one that is part of a program's regular staffing complement. The position may be full or part time.

As an example, the following positions are not considered permanent positions and would not be eligible for wage subsidy funding:

- Persons working on a short term project such as developing a parent handbook
- Students and staff whose salaries are covered by employment programs such as Futures
- Persons who are paid on a fee for service basis such as someone who provides accounting services or janitorial services.

Determination of the full time equivalent is required for all full and part time positions. Full time is defined as the agencies normal number of hours considered to be full time, with a minimum of 35 hours per week.

As an example, one program may consider 40 hours per week as full time. In another program, the program only operates on a part time basis and staff are employed for 17.5 hours per week. In the first situation, calculations are based on a 40 hour week (E.g. 40 hours = 1 FTE, 20 hours = .5 FTE). In the second situation, calculations are based on a 35 hour week (E.g. 17.5 hours = .5 FTE).

## **2.2 TYPES OF WAGE SUBSIDY**

### **Direct Operating Grant**

The wage subsidy Direct Operating Grant may be paid to eligible staff working with children ages 0 -12 years in a child care program. The grant is calculated according to the number of children enrolled and the months and hours of operation.

### **Provider Enhancement Grant/Direct Operating Grant**

The Provider Enhancement Grant may be paid to eligible private-home day care providers. It reflects program size in terms of the average daily number of children age 0 – 12 years enrolled and the months of operation.

### **Wage Enhancement Grant**

The Wage Enhancement Grant may be paid to eligible program and non-program staff working with children ages 0 -12 years in a child care program.

Employees of child care programs under the auspice of municipalities, colleges, universities and hospitals are not eligible to receive the Wage Enhancement Grant portion of wage subsidy funding because of their eligibility to access pay equity funding.

**Staff Eligible for Wage Subsidy**

Funding	Eligible Staff	Age Groups	New/Existing Programs
Direct Operating Grant (DOG)*	<ul style="list-style-type: none"> <li>• Trained and untrained program staff (at the discretion of the CMSM/DSSAB a portion of the DOG may go to non-program staff)</li> </ul>	0-12 years	Existing programs
Wage Enhancement Grant (WEG)**	<ul style="list-style-type: none"> <li>• Supervisors/Administrators</li> <li>• Private-Home Day Care Home Visitors</li> <li>• Resource Teachers (Special Needs Resourcing)</li> <li>• Clerical Staff</li> <li>• Cooks</li> <li>• Housekeeping &amp; Janitorial Staff</li> <li>• Bus Drivers</li> <li>• Family Resource Centre Staff (unique satellites)</li> </ul>	0-12 years	Existing programs
Provider Enhancement Grant (PEG)	<ul style="list-style-type: none"> <li>• Private-home day care providers</li> </ul>	0–12 years (Based on the number of children enrolled)	Existing programs

\* Direct Operating Grant is calculated according to the number of program staff. At the discretion of the operator and/or CMSM/DSSAB the Direct Operating Grant may be shared with non-program staff, which would result in a lower amount of wage subsidy payable for program staff.

\*\*Employees of child care programs under the auspice of municipalities, colleges, universities and hospitals are not eligible to receive the Wage Enhancement Grant portion of wage subsidy funding because of their eligibility to access pay equity funding.

**2.3 STAFF ELIGIBLE FOR BEST START WAGE SUBSIDY FUNDING**

**Best Start Direct Operating Grant**

The Best Start Direct Operating Grant may be paid to eligible staff working with children ages 0 – 5 years in new and/or expanded licensed programs - expansions to licensed capacity and for enrolment to fill vacant capacity.

**Best Start Provider Enhancement Grant/Direct Operating Grant**

The Best Start Private-Home Day Care Provider Enhancement Grant reflects program size in terms of the average daily number of new children ages 0 – 5 years enrolled. Appendix A contains the template for this calculation.

It is only used for increased capacity as related to Best Start and identified in the Child Care Service Plan.

**Best Start Wage Enhancement Grant**

Best Start Wage Enhancement Grant may be paid to eligible staff working with children ages 0 – 5 years in new and/or expanded licensed programs - expansions to licensed capacity and for enrolment to fill vacant capacity.

The Best Start Wage Enhancement Grant can also be used towards special needs resourcing staff required to support new/expanded child care programs.

Resource centres are not eligible for the Best Start Wage Enhancement Grant.

Employees of child care programs under the auspice of municipalities, colleges, universities and hospitals are not eligible to receive the Wage Enhancement Grant portion of wage subsidy funding because of their eligibility to access pay equity funding.

**Staff Eligible for Best Start Wage Subsidy**

Funding	Eligible Staff	Age Groups	New/Existing Programs
Best Start Direct Operating Grant *	Trained and untrained program staff (at the discretion of the CMSM/DSSAB a portion of the DOG may go to non-program staff)	0–5 years	New or expanded programs as identified in the Child Care Service Plan
Best Start Wage Enhancement Grant **	<ul style="list-style-type: none"> <li>• Supervisors/Administrators</li> <li>• Private-Home Day Care Home Visitors</li> <li>• Resource Teachers (Special Needs Resourcing)</li> <li>• Clerical Staff</li> <li>• Cooks</li> <li>• Housekeeping &amp; Janitorial Staff</li> <li>• Bus Drivers</li> </ul>	0–5 years	New or expanded programs as identified in the Child Care Service Plan
Best Start Provider Enhancement Grant	Private-Home Day Care Providers	0–5 years	Based on new enrolment as identified in the Child Care Service Plan

\* Direct Operating Grant is calculated according to the number of program staff. At the discretion of the operator and/or CMSM/DSSAB the Direct Operating Grant may be shared with non-program staff, which would result in a lower amount of wage subsidy payable to program staff.

\* \*Employees of child care programs under the auspice of municipalities, colleges, universities and hospitals are not eligible to receive the Wage Enhancement Grant portion of wage subsidy funding because of their eligibility to access pay equity funding.

## **2.4 BEST START WAGE IMPROVEMENT FUNDING**

All centre-based early childhood program staff currently working with children ages 0 – 12 years in the regulated early learning and child care system in Ontario, in both the for-profit and non-profit sectors, are eligible for the Best Start Wage Improvement Funding.

In addition, all centre-based early childhood program staff working with children ages 0 – 5 years in new spaces created under the Best Start Plan, in both the for-profit and non-profit sectors, are eligible for the Best Start Wage Improvement Funding.

Early childhood program staff are identified as those who directly supervise the children and provide programming, including:

- Trained staff:
  - Supervisor
  - Early childhood educators or Director approved program staff
  - Resource teachers (special needs resourcing)
  - Private-home day care home visitors
  
- Untrained program assistants and program staff with incomplete training

All private-home day care providers currently working with children ages 0 – 12 years in the regulated early learning and child care system in Ontario, in both the for-profit and non-profit sectors, are eligible for the Private-Home Day Care Provider Grant.

The qualifications of trained staff mentioned above are stated in the DNA O. Reg. 262, Section 58 to 61.

**Staff Eligible for Best Start Wage Improvement Funding**

<b>Funding</b>	<b>Eligible Staff</b>	<b>Age Groups</b>	<b>New/Existing Programs</b>
Best Start Wage Improvement Funding	<ul style="list-style-type: none"> <li>Supervisors</li> <li>Trained and Untrained staff</li> <li>Resource Teachers (Special Needs Resourcing)</li> <li>Private-Home Day Care Home Visitors</li> </ul>	0-12 years	Existing and new or expanded programs as identified in the Child Care Service Plan
Private-Home Day Care Provider Grant	<ul style="list-style-type: none"> <li>Private-Home Day Care Providers</li> </ul>	0-12 years	Current and new providers as identified in the Child Care Service Plan

CMSMs and DSSABs will include in their Child Care Service Plan how they will be implementing Best Start Wage Subsidy and Best Start Wage Improvement for staff in new and newly expanded child care programs to support growth of the child care system as part of the Best Start Plan.

**2.5 ALLOWABLE USAGE OF WAGE SUBSIDY FUNDING**

Wage subsidy is intended to improve the salary and non-mandatory benefits of employees working in a licensed child care program and employees of ministry cost-shared resource centres and special need resourcing agencies, making child care more affordable for parents. It is also intended to increase payments to private-home day care providers. CMSMs and DSSABs have the discretion to approve a portion of the Direct Operating Grant (point value must be at the 1993/1994 level or lower) for non-salary purposes, (e.g., staff training) or to reduce the per diem to parents. This discretion recognizes that wage subsidies enable service providers to increase employees' salaries and benefits and help to maintain affordable child care services.

**2.6 SERVICE PROVIDER WAGE SUBSIDY FUNDING CONDITIONS**

CMSMs and DSSABs will advise service providers of the following wage subsidy funding conditions:

- Wage subsidy funds will be used to increase the salary and non-mandatory benefits of staff employed in licensed child care programs, MCYS/CMSM/DSSAB funded resource centres and special needs resourcing services; or to increase payments to private-home day care providers.

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- A portion of the Direct Operating Grant may be used for non salary purposes such as staff training or to increase affordability by reducing per diems to parents, with prior approval from the CMSM/DSSAB.
- Service providers will provide each employee with a reasonable portion of wage subsidy. Distribution is to be consistent with the achievement of their pay equity plan.
- Distribution of wage subsidy will not exceed \$9,534 (this amount includes the combined total of the full Direct Operating Grant in the amount of \$6,964 and the maximum Wage Enhancement Grant in the amount of \$2,570) per FTE position in either a non-profit or for-profit program. This excludes Best Start Wage Improvement Funding.
- Service providers may use a portion of the wage subsidy funding to cover mandatory employer contributions resulting from increased salary and benefit costs related to wage subsidy funded salary and benefit costs.
- Service providers will immediately report a significant child care program downsizing that is expected to be ongoing to the CMSM/DSSAB. Such downsizing will result in a recalculation of the amount of wage subsidy the service provider is eligible to receive.
- Service providers that operate a licensed private-home day care agency will distribute a portion of wage subsidy funding to enhance payments to private-home day care providers, as well as to employees of the private-home day care agency such as home visitors. Unless the program has downsized, the amount distributed to private-home day care providers must be consistent with the total combined amounts of the former Direct Operating Grant and Provider Enhancement Grant previously distributed to private-home day care providers.
- All wage subsidy payments are to be included in the job rates used by service providers in pay equity calculations.
- Service providers will provide wage subsidy payments in addition to any planned pay equity or other salary increases.
- Service providers will determine and administer distribution of wage subsidy in accordance with these funding conditions as well as MCYS and CMSM's/DSSAB's policies, procedures and requirements in effect at the time of distribution.
- Service providers will communicate how wage subsidy is distributed and any changes that may occur in distribution to staff and private-home day care providers.

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- Wage subsidy funds not utilized in accordance with any of these funding conditions and /or in accordance within the service contract between the service provider and CMSM/DSSAB will be returned to the CMSM/DSSAB.
- Service providers will submit a Child Care Wage Subsidy Utilization Statement to the CMSM/DSSAB within 30 days of the end of the reporting period.

If a service provider fails to meet the funding conditions mentioned above or the conditions stated in the service contract with the CMSM/DSSAB, a claim may be made for the recovery of wage subsidy funding provided and the service provider may be deemed ineligible to receive future wage subsidy funding. Consequences of non-compliance are determined by the CMSM/DSSAB.

### **2.7 CALCULATION OF WAGE SUBSIDY**

Wage subsidy is comprised of the following three components (where applicable in the case of a given service provider):

- Direct Operating Grant;
- Wage Enhancement Grant; and
- Provider Enhancement Grant/Direct Operating Grant.

To meet the wage subsidy requirements, the methods set out below for calculating each of the above components must be used.

**Best Start Wage Subsidy for new staff in new and expanded programs must also be calculated using these methods.**

Calculations for the Best Start Wage Subsidy must appear separately in all documentation and clearly demonstrate that it has been utilized for eligible staff in new/expanded spaces only as identified in the Child Care Service Plan.

#### **2.7.1 Direct Operating Grant**

The calculations for the Direct Operating Grant component of wage subsidy incorporate the operating capacity for a child care program for each age group served (i.e. infants, toddlers, preschool, junior kindergarten, senior kindergarten and school age), the weekly hours of operation and number of months that the program operates annually. Programs which serve younger children and those that operate on a full time basis receive a larger grant than those serving older children and/or operating fewer hours per week or months per year, reflecting higher staffing associated with those programs.

The calculations enable service providers to specify basic and alternate programs and result in a point value for each program.

For the purposes of Direct Operating Grant calculations, operating capacity is defined as the number of children for which the program is staffed on a regular basis, according to the staff ratios set out under the DNA. Operating capacity may be less than licensed capacity but cannot exceed licensed capacity.

$$\text{Direct Operating Grant} = [C \times P \times M] / H \quad \times \quad \$4.836$$

C = Operating capacity  
P = Prescribed points based on age weightings  
M = Number of months program is open  
H = Hours of operation per week

### 2.7.2 Private-Home Day Care Provider Enhancement Grant/Direct Operating Grant

Wage subsidy for private-home day care providers reflects program size in terms of the average daily number of children enrolled on a daily basis and the number of months that the program operates throughout the year.

Average daily enrollment is defined as the average number of children enrolled in private-home day care per day. This is determined by dividing the total number of days of child care provided by the total days of operation.

Administrative employees and home visitors employed by the private-home day care agencies are eligible for the Wage Enhancement Grant portion of wage subsidy.

$$\text{Private-Home Day Care Direct Operating Grant and Provider Enhancement Grant} = [E \times 17.95 \times M] \quad \times \quad \$4.836$$

E = Average daily enrollment  
M = Months open

### 2.7.3 Wage Enhancement Grant

The Wage Enhancement Grant is based on the number of eligible full time equivalent (FTE) positions. For a definition of FTE see Section 2.1 of this document. Appendix A contains the template for this calculation.

<b>Wage Enhancement Grant for Child Care Centres</b>	<b>=</b>	<b>Number of FTE positions x \$2,570</b>
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<b>Wage Enhancement Grant for Resource Centres and Special Needs Resourcing</b>	<b>=</b>	<b>Number of FTE positions x \$2,532</b>
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## **2.8 CALCULATION OF BEST START WAGE IMPROVEMENT FUNDING**

The Best Start Wage Improvement Funding was provided as a separate allocation.

As the service system managers for child care, CMSMs and DSSABs will determine actual amounts of the Best Start Wage Improvement Funding, which will be administered through service providers that pay the salaries. These wage improvements must be part of the CMSM's and DSSAB's Child Care Service Plan (see the *Service Planning Guideline*).

To demonstrate that Best Start objectives to improve staff salaries have been achieved, CMSMs/DSSABs' Child Care Service Plan should set out:

- the rationale for how the Best Start Wage Improvement Funding, including the Private-Home Day Care Provider Grant will be implemented;
- how many staff and providers will be impacted;
- how these staff and providers will be impacted and,
- the percentage of the salary increase for staff.

The number of providers receiving the Private-Home Day Care Provider Grant must be identified.

The Wage Subsidy Utilization Statement in Appendix B allows for tracking of this data.

## **2.9 PAY EQUITY FUNDING**

Since 1991, the government has provided pay equity funding to assist service providers in meeting the cost of achieving pay equity. The 1999/2000 pay equity base funding levels were determined by means of a government survey with proxy organizations.

In the past as a result of the Memorandum of Settlement, the province announced additional proxy pay equity funding for eligible non-profit service providers. In order to

be eligible, child care programs were required to:

- have a proxy order from the Pay Equity Commission;
- have posted pay equity plan(s) based on proxy comparisons;
- have current and/or outstanding proxy obligations; and
- receive funding from MCYS through CMSMs/DSSABs to provide childcare.

The province will continue to flow funding as agreed in the Memorandum of Settlement to CMSMs and DSSABs. CMSMs/DSSABs are required to continue to flow the pay equity amounts, as identified by the ministry, to service providers.

## **PART 3: CMSM/DSSAB PROTOCOLS FOR MANAGING WAGE SUBSIDY FUNDS**

This section outlines the protocols for wage subsidy management, including the monitoring and reporting of wage subsidies.

### **3.0 REVIEW OF WAGE SUBSIDY ENTITLEMENTS**

CMSMs/DSSABs review and recalculate wage subsidy on an annual basis as part of the systematic service provider file reviews to verify that programs are receiving the wage subsidy funds that they are entitled to. Reviews are also done whenever service providers report significant reductions in service levels and/or staffing that are not of a temporary short-term nature, to the CMSM/DSSAB. This facilitates provision of wage subsidy funds for the intended purpose(s) and timely recovery of surplus funds.

The annual review of child care program wage subsidy entitlement is documented and includes the hours of operation, operating capacity and number of FTE staff by position (e.g. 3 FTE infant staff, 2 FTE toddler staff, 2.5 FTE preschool staff, 1 FTE supervisor).

Separate wage subsidy calculations must be performed for each licensed program in the case of multi-site operators.

With the exception of pay equity funding, non-profit and for-profit programs are equally eligible for wage subsidy funding.

### **3.1 WAGE SUBSIDY WORKSHEET**

CMSMs/DSSABs will require the following information to accurately calculate wage subsidy. The worksheet provided in Appendix A may be used to collect this information; however, the format used is at the discretion of the CMSM/DSSAB.

- the hours and months of operation
- operating capacity

- number of FTE staff by position

The information above is required for purposes of monitoring performance measures related to wage subsidy calculations. Section 3.5.1 lists the processes for monitoring performance measures.

The CMSMs and DSSABs must ensure adequate documentation has been submitted by the service providers to support the amount of wage subsidy funds paid to the service provider.

### **3.2 ANNUAL COMPILATION OF WAGE SUBSIDY PRESSURES**

CMSMs/DSSABs will compile an annual listing of wage subsidy pressures within their geographic area. A pressure generally occurs when a service provider is not receiving full wage subsidy funding, often as a result of new and expanded programs. For example, if a service provider is currently receiving \$40,000 in wage subsidy funds, but because of an expansion could receive \$50,000 according to the wage subsidy calculations, the difference of \$10,000 would be considered a pressure.

### **3.3 FINANCIAL MANAGEMENT**

- CMSMs/DSSABs plan the usage of wage subsidy funds and manage within contracted levels of funding.
- CMSMs/DSSABs enter into service contracts with eligible service providers for the provision of wage subsidy (fully executed service contracts including all supporting documentation must be on file).
- These service contracts detail the funding allocation and contracted levels of service (data elements).
- Service providers report actual wage subsidy expenditures and service activity data to CMSMs/DSSABs on an annual basis, in relation to previously established targets.
- CMSMs/DSSABs reconcile service providers' use of funds annually through the Wage Subsidy Utilization Statement. An audited financial statement is also required when more than \$20,000 has been allocated in combined wage subsidy, Best Start Wage Subsidy and/or Best Start Wage Improvement Funding and funding under the Pay Equity Memorandum of Settlement. In the event that the utilization statement identifies a surplus, the surplus is returned to the CMSM/DSSAB or deducted from future wage subsidy. In the event of a service closure, surplus funds are to be refunded to the CMSM/DSSAB.
- With regard to any in-year surpluses, the CMSM's/DSSAB's first priority is to address any existing wage subsidy pressures within its geographic area, including the needs of all existing service providers, regardless of when they began operation.

CMSMs/DSSABs may then manage any remaining in-year surpluses according to ministry financial policies as detailed in the *Business Practices Guideline*. Note: CMSMs/DSSABs must meet contracted service targets before reallocating funds to other child care programming.

- For the Best Start Wage Subsidy funding, any in-year surpluses must be used to support Best Start objectives as identified in the *Implementation Guidelines for Best Start Networks*.

See the *Business Practices Guideline* for further information regarding CMSM's/DSSAB's business practices with service providers.

### **3.4 CMSM/DSSAB WAGE SUBSIDY ADMINISTRATIVE POLICIES**

In order to manage wage subsidies in an effective and accountable manner, CMSMs/DSSABs will require, at a minimum, the following policies:

#### **3.4.1 Reduction in Service Levels**

Service providers are to promptly report any significant reduction in service levels and/or staffing, that is not of a temporary nature, to the CMSM/DSSAB. Reduction of staffing and/or service levels will result in a recalculation of the amount of wage subsidy approved by CMSMs/DSSABs. CMSMs/DSSABs will recover any identified surpluses from the service provider's future wage subsidy payments. Closure of a program will result in cessation of funding and recovery of any unearned wage subsidy.

#### **3.4.2 Equalization of Wage Subsidy**

As a result of a historical federal/provincial cost sharing agreement, only those for-profit child programs licensed as of December 7, 1987 were originally eligible for wage subsidy funding. The maximum distribution to a full-time-equivalent employee of an eligible for-profit program was \$3,230.

Prior to April 1, 1992, all new or expanded non-profit child care programs were automatically eligible for wage subsidy. After April 1, 1992, only those new or expanded non-profit child care programs that were part of a ministry initiative (i.e. jobs Ontario, Conversion, new schools) and part of a Ministry Area Child Care Management Plan were eligible to receive wage subsidy.

As funds become available, they may be used to increase the wage subsidy amounts in either non-profit or for-profit centres to the non-profit formula level. Wage subsidies are one way that Ontario supports a range of child care options in both the for-profit and non-profit child care sectors, in order to meet the needs of families.

### **3.4.3 Transferability of Wage Subsidy**

In the event that a service provider of a child care program sells the program to another service provider, existing wage subsidy, Best Start Wage Subsidy and/or Best Start Wage Improvement Funding may be transferred to the new service provider. The transfer occurs regardless of whether there is a change in corporate status (i.e. non-profit or for-profit). A funding adjustment will be made if the transfer to the new service provider results in an overall reduction of service capacity. If funding is available, a funding adjustment may be made if there is an increase in service capacity.

### **3.4.4 Reporting Requirements for Service Providers**

Service providers will be required to meet the reporting requirements as outlined in the Performance Measures section of this document.

## **3.5 WAGE SUBSIDY MONITORING AND PERFORMANCE MEASURES**

The cornerstone of the Ontario Child Care performance management framework is accountability for service. Service information strengthens accountability for results, informs the public and decision-makers and other public officials, influences policy, signals areas needing attention and improvement and emphasizes the “differences that have been made” by a program or service.

### **3.5.1 Process for Monitoring Performance Measures**

- The ministry enters into service contracts with CMSMs/DSSABs for the provision of prescribed child care services. The service contract contains specific data elements that are the performance measures monitored by regional offices.
- CMSMs/DSSABs report actual financial and service activity data to regional offices on a quarterly basis in relation to previously established targets.
- CMSMs/DSSABs may refer to the current service contract/budget package for required service data elements and definitions.
- The ministry will review a representative sample, not less than 5%, of all wage subsidy files at least once a year, including all required documentation.

See Section 3.6 for required documentation.

### **3.5.2 Wage Subsidy Utilization Statement**

- The utilization statement is completed by all service providers who received wage subsidy, and/or Best Start Wage Improvement Funding and submitted to the CMSM/DSSAB within 30 days of the end of the funding year.
- The utilization statement documents how wage subsidy and/or Best Start Wage Improvement Funding were used in the past year. It requires service providers to account for all staff positions funded by wage subsidy and/or wage improvement funding and the total dollar amount of wage subsidy during the time period specified in the utilization statement.
- CMSMs/DSSABs reconcile service provider usage of wage subsidy and/or Best Start Wage Improvement Funding against the total amount of wage subsidy received by the service provider during the time period specified in the utilization statement.
- The utilization statement may indicate that the service provider did not use or was not entitled to all of the wage subsidy and/or Best Start Wage Improvement Funding provided. This can occur when staffing or service levels reduce mid year and wage subsidy was not adjusted accordingly.
- When this occurs, the surplus is deducted by the CMSM/DSSAB from future payments. In the event of a program closure, surplus wage subsidy funds are to be refunded to the CMSM/DSSAB.

### **3.6 REQUIRED DOCUMENTATION**

CMSMs and DSSABs are responsible for collecting required data from the service providers in their geographic area. At a minimum, CMSMs/DSSABs are required to maintain the following documentation on wage subsidy funding:

- record of current wage subsidy payments to service providers;
- utilization statement from each service provider who received wage subsidy, wage improvement funding and/or provider grant;
- audited financial statements from service providers who have received more than \$20,000 in total wage subsidy and/or Best Start Wage Improvement Funding and funding under the Pay Equity Memorandum of Settlement that include third party special purpose reports, verifying that wage subsidies and/or wage improvement have been used for the purpose(s) intended;
- proof of an annual review of the wage subsidy and/or Best Start Wage Improvement Funding calculations and supporting documentation to verify that service providers are funded correctly; and,

- Wage Subsidy Calculation Worksheet

CMSMs and DSSABs will submit to the ministry:

- the CMSM's/DSSAB's audited financial statements, and
- written confirmation stating that the Wage Subsidy utilization statement, as well as audited financial statements (if required) were received from all service providers receiving funding.

CMSMs and DSSABs must retain this required documentation for at least seven years.

Other financial practices and reporting requirements for CMSMs/DSSABs are detailed in the *Business Practices Guideline*.

CHILD CARE SERVICE MANAGEMENT GUIDELINES

**APPENDIX A: WAGE SUBSIDY CALCULATIONS WORKSHEET**

<b>Program Information</b>		<b>Address</b>	
<b>Service Provider</b>		<b>Program Names</b>	

**A. DIRECT OPERATING GRANT: BASIC PROGRAM, CENTRE BASED**

Age Group	Operating Capacity	Points/Space	# of Months <sup>1</sup>	Hours/Week Range <sup>2</sup>	Points	\$ per Point	Direct Operating Grant
Infant		X 36 X	÷	=	X \$4.836 =		
Toddler		X 24 X	÷	=	X \$4.836 =		
Pre-school		X 15 X	÷	=	X \$4.836 =		
JK/SK		X 12 X	÷	=	X \$4.836 =		
SK		X 10 X	÷	=	X \$4.836 =		
Handicapped*		X 30 X	÷	=	X \$4.836 =		
School-age		X 8 X	÷	=	X \$4.836 =		

**A. DIRECT OPERATING GRANT: ALTERNATE PROGRAM, CENTRE BASED**

Age Group	Operating Capacity	Points/Space	# of Months <sup>1</sup>	Hours/Week Range <sup>2</sup>	Points	\$ per Point	Direct Operating Grant
Infant		X 36 X	÷	=	X \$4.836 =		
Toddler		X 24 X	÷	=	X \$4.836 =		
Pre-school		X 15 X	÷	=	X \$4.836 =		
JK/SK		X 12 X	÷	=	X \$4.836 =		
SK		X 10 X	÷	=	X \$4.836 =		
Handicapped*		X 30 X	÷	=	X \$4.836 =		
School-age		X 8 X	÷	=	X \$4.836 =		

\*Day nurseries for handicapped children.

**[A] TOTAL CENTRE BASED DIRECT OPERATING GRANT**



**B. PRIVATE-HOME DAY CARE DIRECT OPERATING GRANT & PROVIDER ENHANCEMENT GRANT**

Average Daily Enrolment	Points	Number of Months <sup>1</sup>	Points	\$ per Point	Direct Operating Grant & Provider Enhancement Grant
X	17.95	X	=	X \$4.836	=

**[B] TOTAL PRIVATE-HOME DAY CARE DIRECT OPERATING GRANT AND PROVIDER ENHANCEMENT GRANT**



**C. WAGE ENHANCEMENT GRANT**

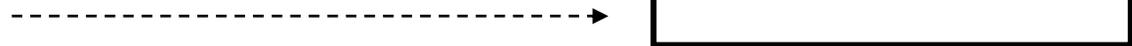
Licensed Child Care Services

Number of FTE Positions <sup>3</sup>	\$ per FTE	Wage Enhancement Grant
X	\$2,570	X

Resource Centres & Special Needs Resourcing

Number of FTE Positions <sup>3</sup>	\$ per FTE	Wage Enhancement Grant
X	\$2,532	X

**[C] TOTAL WAGE ENHANCEMENT GRANT**



<b>WAGE SUBSIDY TOTAL= [A] + [B] + [C]</b>	\$
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1. The number of months that the program operates in a year

2. The range is based on the number of hours the program is offered in a week as follows:

Hours per Week Program Operates	Range
1-9 hours per week	8
10-19 hours per week	4
20-39 hours per week	2
40 or more hours per week	1

3. Number of FTE Positions refers to the full time equivalents employed at least 35 hours per week and 52 weeks a year. Positions employed for less than 35 hours per week are prorated to determine the fraction of FTE. For example, a position is employed 10 months per year, 20 hours per week (standard work week is 35 hours) FTE equals  $1 \times (10/12) \times (20/35) = .47$

## **NOTES FOR THE WAGE SUBSIDY CALCULATIONS WORKSHEETS**

### **DIRECT OPERATING GRANT**

#### **Operating Capacity**

For the following calculations, operating capacity is defined as the number of children for which the program is staffed on a regular basis. Operating capacity cannot exceed licensed capacity, but may be less than licensed capacity. For example, a child care program may be licensed for 24 preschool children and have 15 children enrolled. Two staff are required for the 15 children enrolled. The operating capacity would be 16. If 23 children were enrolled, the operating capacity would be 24 as three staff are required.

When the Director has approved mixed age grouping, younger and/or older children placed in this grouping are counted only in the group in which they are enrolled.

JK or SK children enrolled in a preschool group shall not be counted as a separate JK or SK group.

#### **Centre-based child care**

Fill in the "Operating Capacity" for the Basic Program (and the Alternate Program if required) to correspond with the appropriate age group). A school age program which provides before and after school care during the school year and full time care for these school age children during holidays would consider the before and after school component, generally about 20 hours /week for the 10 months of the school year, as the basic program, while the full time care during the school holidays, generally over 39 hours/week, would be an alternate program. A preschool nursery school program that operates in a kindergarten or school age room while the children are attending school would be considered an alternate program while the kindergarten or school age program would be the basic program.

The JK line is used when Director's approval is given for a Junior Kindergarten group to be established for children 3 years 8 months (as of September 1<sup>st</sup> of each year) to 5 years of age, with a 1:10 staff/child ratio and with a maximum group size of 20.

The SK line is used for a Senior Kindergarten group for children 4 years 8 months (as of September 1<sup>st</sup> of each year) to 6 years of age, with a 1:12 staff/child ratio, and with a maximum group size of 24.

Multiply the “Operating Capacity” by the given “Points per Space” and multiply by the number of months which the program operates in the year as noted in “# of Months”. This figure is then divided by the appropriate “Hours/Week Range” to yield “points”.

The “Hours per Week Range” uses the following range numbers based on the actual hours of operation of the program in a week:

If a program operates 1 to 9 hours/week,	Range = 8
If a program operates 10 to 19 hours/week,	Range = 4
If a program operates 20 to 39 hours/week,	Range = 2
If a program operates 40 or more hours/week	Range = 1

Multiply “Points” result by “\$ per Point” of \$4.836 to produce the “Direct Operating Grant” component for centre-based programs.

Add the results in the “Direct Operating Grant” column to produce the total Direct Operating Grant (A) portion of wage subsidy.

### **Private-Home Day Care: Direct Operating Grant and Provider Enhancement Grant Components**

Average daily enrollment is defined as the average number of children enrolled per day. This is determined by dividing the total number of days of care provided for all children by the total days of operation in a year.

Multiply “Average Daily Enrollment” by 17.95 and multiply by the “Number of Months” to yield “Points”.

Multiply “Points” result by \$4.836 to produce the total wage subsidy component for Home Child Care Programs (B).

### **Wage Enhancement Component**

Identify the number of FTE permanent program and non-program staff in the “Number of FTE Positions” column. The full time equivalent is required for full and part time positions. Full time is defined as the agencies normal number of hours considered permanent, with a minimum of 35 hours per week. As an example, one program may consider 40 hours per week as full time. In another program, the program operates on a part time basis and staff are employed for 17.5 hours per week. In the first situation, calculations are based on a 40 hour week (E.g. 40 hours = 1FTE). In the second situation, calculations are based on a 35 hour week (E.g. 17.5 hours = .5FTE).

## CHILD CARE SERVICE MANAGEMENT GUIDELINES

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Multiply by the appropriate “FTE” for the total Wage Enhancement component. (C). A FTE staff employed in a child care centre is eligible for \$2,570. A FTE staff employed in a resource centre or special needs resourcing agency is eligible for \$2,532.

Wage Subsidy Total – Annualized (A + B + C)

Annualized wage subsidy funding is the total of A + B + C as calculated above.

Pro-rate the annualized wage subsidy for programs that open mid year.

## APPENDIX B: WAGE SUBSIDY UTILIZATION STATEMENT

<b>SECTION 1: BASIC PROGRAM INFORMATION</b>				
Program Name:				
Licence Holder / Corporation:				
Address:				
Reporting Period:				
This completed statement is due within 30 days after the end of the reporting period.				
<b>SECTION 2: FULL TIME EQUIVALENTS AND TOTAL WAGE SUBSIDY</b>				
Staff Positions	Number of Full Time Equivalent Staff/Providers	Total Salaries and Benefits		
		Base (\$)	Total Wage Subsidy (\$)	Total (\$)
Program Staff 0-5 years				
Program Staff 6-12 years				
Supervisor				
Other Non-Program Staff				
Private-Home Day Care Home Visitors				
TOTAL				
Number of Private-Home Day Care Providers:				
<b>SECTION 3: BEST START WAGE IMPROVEMENT</b>				
Staff Positions	Number of Full Time Equivalent Staff/Providers	Total Salaries and Benefits		
		Base (including Wage Subsidy, Best Start Wage Subsidy & Pay Equity)	Best Start Wage Improvement (\$)	Total (\$)
Program Staff 0-5 years				
Program Staff 6-12 years				
Supervisor				
Private-Home Day Care Home Visitors				
TOTAL				
Number of Private-Home Day Care Providers:				

<b>SECTION 4: VARIANCE REPORT FOR WAGE SUBSIDY</b>	
1. Total Regular Wage Subsidy received	\$
2. LESS Pay Equity Funding (if included in #1)	\$
3. Net Regular Wage Subsidy (1-2)	\$
4. Amount used for salaries	\$
5. Amount used for Employers' mandatory benefit costs	\$
6. Amount used for non mandatory benefit costs	\$
7. Subtotal: Salaries & Benefits (4+5+6)	\$
8. Amount used for Private-Home Day Care Provider payments	\$
9. Amount used for non salary purposes (approved by CMSM/DSSAB)	\$
10. Total Regular Wage Subsidy used (7+8+9)	\$
11. Variance* (3-10)	\$

<b>SECTION 5: VARIANCE REPORT FOR BEST START WAGE IMPROVEMENT</b>	
1. Total Best Start Wage Improvement received	\$
2. Amount used for salaries	\$
3. Amount used for Employers' mandatory benefit costs	\$
4. Total Amount Used for Salaries & Benefits (2+3)	\$
5. Variance* (1-4)	\$

\*If a variance exists, please attach an explanation.

<b>SERVICE PROVIDER</b>	<b>CMSM/DSSAB</b>
I verify that the Wage Subsidies have been used for the purposes intended, as stated above.	Reviewed by: _____
Signing Officer: _____	Recovery required: _____
Signing Officer: _____	Comments: _____
Date: _____	Date: _____

**NOTES ON WAGE SUBSIDY UTILIZATION STATEMENT**

<b>SECTION 4: VARIANCE REPORT FOR WAGE SUBSIDY</b>	
<b>Line</b>	<b>Explanation</b>
<b><u>1</u></b>	Total Wage Subsidy received by service provider for the previous fiscal year including Direct Operating Grant, Provider Enhancement Grant, Wage Enhancement Grant and Pay Equity funding (excluding Best Start Wage Improvement Funding and pay equity funds resulting from the Memorandum of Settlement)
<b><u>2</u></b>	Pay equity funding if included in line 1
<b><u>3</u></b>	Line 1 minus line 2 equals net wage subsidy
<b><u>4</u></b>	Wage Subsidy used to increase salaries
<b><u>5</u></b>	Wage Subsidy used to pay the employer's share of benefit costs (CPP, Worker's Compensation, Employment Insurance, Ontario Health Tax) resulting from the wage subsidy funding
<b><u>6</u></b>	Wage Subsidy used towards non-mandatory benefits (i.e. Dental Plan, Group Insurance)
<b><u>7</u></b>	Subtotal of salaries & benefits (4+5+6)
<b><u>8</u></b>	Private-home day care agencies only: the total Wage Subsidy distributed to private-home day care providers
<b><u>9</u></b>	Wage Subsidy used for non salary purposes, where approved by the child care service system manager
<b><u>10</u></b>	The total of lines 7+8+9
<b><u>11</u></b>	Variance: Line 3 minus Line 10

**SECTION 5: VARIANCE REPORT FOR BEST START WAGE IMPROVEMENT**

Line	Explanation
<u>1</u>	Total Best Start Wage Improvement received by service provider for the previous fiscal year
<u>2</u>	Best Start Wage Improvement used to increase salaries
<u>3</u>	Best Start Wage Improvement used to pay the employer's share of benefit costs (CPP, Worker's Compensation, Employment Insurance, Ontario Health Tax)
<u>4</u>	Subtotal of salaries & benefits (2+3)
<u>5</u>	Variance: Line 1 minus Line 4

**NOTE:**

If wage subsidy, Best Start Wage Subsidy, Best Start Wage Improvement Funding in total and funding under the Pay Equity Memorandum of Settlement exceed \$20,000, an audited financial statement, including third party verification in the special purpose report that funding was used for the purposes intended must be submitted with these utilization statements.