

Ministry of Children
and Youth Services

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DEC 20 2006

Mr. Bill Fisch
Chairman and CEO
The Regional Municipality of York
17250 Yonge Street
PO Box 147
Newmarket, Ontario
L3Y 6Z1

Dear Mr. Fisch:

Re: Income Test for Child Care Fee Subsidies

As a key partner in the delivery of child care in the province of Ontario, I am pleased to inform you that the new income test will come into effect on January 1st, 2007. A key component of the Best Start plan, the Ontario government committed to introducing a new way of distributing fee subsidies based on income instead of the complex formula based on need.

Under the income test, families with net income up to \$20,000 will be eligible for a full subsidy for child care. For families in receipt of a subsidy, family contribution toward the cost of child care will be calculated based on 10% of their net income over \$20,000 plus an additional 20% of net income over \$40,000. This means that for families receiving a subsidy, family contribution will be \$2,000 plus 30% of net income over \$40,000.

The required amendments to O. Reg. 262 under the *Day Nurseries Act* to provide for an income test have been published and the technology to support implementation is in place. Training for municipal staff was provided in November and December 2006. 2007 will be a transition year in which my ministry will work very closely with municipal partners to monitor implementation of the income test. While some municipalities may have additional revenue as a result of this change, others will face a pressure. The ministry will use this transition year to identify issues and financial pressures and will work in collaboration with municipalities towards their resolution. The child care fee subsidy policy guideline is being released to municipalities and may be revised over time as issues arise with the introduction of the income test.

Despite the loss of nearly \$1.4 billion in federal funding for child care, introduction of an income test will mean that more families across a broader range of income levels will receive a partial subsidy. Also, the move to an income test will result in a less intrusive application process for parents and a more streamlined administrative process for municipalities. It will mean a fairer and more consistent determination of fee subsidies across the province.

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As you may know, my ministry undertook a survey of all CMSMs and DSSABs in the summer in order to learn more on how municipalities currently manage demand for child care fee subsidy. The survey revealed that there is no standard approach to managing excess demand for fee subsidies. In the fall, we consulted with an Ontario Municipal Social Services Association (OMSSA) reference group that reviewed the survey results, examined the implications of a standard wait list strategy and provided advice and recommendations for a standard wait list approach.

I am pleased to advise you that the income test will be complemented by a modified first come/first served wait list management strategy. The strategy will require CMSMs and DSSABs to undertake a local planning process in order to allocate fee subsidies based on some measure of demographics and/or geography. This approach enables flexibility at the local level to determine the allocation formula that best meets the local community needs. Following this, a first come/first served policy will apply to families seeking a fee subsidy. Further, CMSMs and DSSABs have up to January 1, 2008 to develop and implement local wait list policies that are consistent with the provincial strategy.

It is the expectation of my ministry that municipalities use their local community planning process to inform the identification of factors to be used in allocating fee subsidies. The fee subsidy policy guideline which I referred to earlier provides further direction on the implementation of the wait list management approach and offers examples of factors that could be considered such as low income families with children, geographic areas (wards, lower tier municipalities, territory without municipal organization), unique cultural characteristics and age groups of children.

I would like to thank you for your support in implementing this important initiative and I would encourage you to contact your MCYS regional office for more information.

Sincerely,



Mary Anne Chambers
Minister

c: MCYS Regional Directors