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IMPLEMENTATION OF INCOME TESTING FOR CHILD CARE FEE ASSISTANCE

The Community Services and Housing Committee recommends adoption of the recommendation contained in the following report, December 14, 2006, from the Commissioner of Community Services, Housing and Health Services:

1. RECOMMENDATION

It is recommended that:

1. Child care fee assistance service levels be modified, as required, to ensure that expenditure does not exceed the budget approval as a result of the implementation of Income Testing for child care fee assistance effective January 1, 2007.

2. PURPOSE

This report informs Council of the change in the provincial regulation to require the implementation of Income Testing for child care fee assistance, effective January 1, 2007. It recommends that child care fee assistance levels be modified, as required, to ensure that the expenditure does not exceed budget approval.

3. BACKGROUND

The Province has announced a change in the provincial regulation which requires York Region to implement Income Testing to determine eligibility for child care fee assistance, effective January 1, 2007.

Income Testing replaces Needs Testing as the method for determining eligibility for child care fee assistance.

Eligibility for child care fee assistance will be based on income only. Other factors, including assets, expenses and debts, will not be considered. As a result, Income Testing requires a less intrusive eligibility review and reduces the number of required documents that the applicant provides.

Income Testing is expected to have a positive impact for many families as it is projected to result in a lower parent contribution to the cost of child care for the majority of families. At the same time, the reduction in the parent contribution to the cost of care is expected to have a negative impact for York Region residents, overall, as it is projected that, without additional provincial funding, the number of subsidized spaces will be reduced to offset the increase in the average cost of a subsidized space to York Region.

4. ANALYSIS AND OPTIONS

Consolidated Municipal Services Managers (CMSMs)/ District Social Services Assistance Boards (DSSABs) will continue to be responsible for determining eligibility for child care fee assistance. Eligibility will be based on income only; assets, debts, expenses will not be considered.

4.1 Definition and Verification of Income

The definition of income to be used in calculating the parent contribution for child care will be “adjusted income”, consistent with the Federal government’s definition for the Canada Child Tax Benefit.

Adjusted income is “net income” from Line 236 of the personal income tax form, less any payments received under the Universal Child Care Benefit (UCCB). Therefore, the UCCB will not affect the amount that a subsidized family would pay for child care.

Parents applying for child care subsidy are required to file an income tax return with the Federal government annually if they wish to apply for child care fee assistance. In addition, they must provide a copy of either a Notice of Assessment or Canada Child Tax Benefit (CCTB) Notice to York Region.

There is an exception for recent immigrants with no Canadian income for tax purposes in the most recent taxation year, who will be deemed to have no income for the income test in the first year. Any income earned in a foreign country will not be considered. Thus recent immigrants will be eligible for full subsidy.

4.2 Parent Contribution / Child Care Subsidy

Parents receiving child care fee assistance who have adjusted income of \$20,000 or less and parents with a calculated parent contribution of less than \$10 a month will not pay for child care.

In addition, Ontario Works (OW) and Ontario Disability Support Program (ODSP) recipients will be fully subsidized.

The annual amount of the parent contribution will otherwise be calculated as 10% of income over \$20,000 plus 20% of income over \$40,000. This means that parents will pay a total of 30% of income above \$40,000. The annual amount is divided by twelve to determine the monthly parent contribution for each month that the child is in child care.

The daily parent fee will be calculated such that parents will pay the full monthly amount regardless of the number of days of child care per week

4.3 Grandparenting Under the Needs Test

The Province has introduced a grandparenting provision for families currently in receipt of child care fee assistance.

Through this grandparenting provision, if the parent contribution under the Income Test is more than the amount the family was paying for child care under the Needs Test, the family will be grandparented and continue to pay the lower needs tested amount for each child who is not eligible to enter Grade 1.

Grandparenting continues for each child until September 1st of the year in which the child turns six years old.

If the parent contribution under the Income Test is less than the amount the family was paying for child care under the Needs Test, the family will pay the lower income tested amount.

Where there is more than one child in the family, there is a Provincial Grandparenting Calculation Worksheet for the calculation of the parent contribution if one child is grandparented under the Needs Test and the other is subject to the Income Test.

Grandparenting under the Needs Test ceases when there is a significant increase in income. A significant increase is 20% or more when comparing adjusted income in the most recent tax year with adjusted income from the time that grandparenting was established for the family.

4.4 Impact on Parent Revenue

A preliminary analysis by York Region staff indicates that, by year-end 2007, the implementation of Income Testing could result in a 37% reduction in parent revenue as a result of the projected reduction in the parent contribution to the cost of care. This is forecast to reduce access to fee subsidy by approximately 90 fee subsidized spaces, if provincial fee subsidy funding approvals remain the same.

This reduction will negatively impact the increase in fee subsidy funded spaces that was put in place through the Best Start Strategy. At this time, the Province has confirmed that there will be no additional increase in funding to offset any loss in parent revenue as the result of the implementation of Income Testing.

4.5 Impact on Service Levels

As parent revenue is reduced, the cost to York Region of a subsidized space increases. This cost is funded 80% by the Province and 20% by York Region. Without additional provincial funding, service levels will be reduced to offset an increase in the average cost of a subsidized space to York Region.

4.6 Transition Plan

At their May 19, 2005 meeting, Council approved, through Clause 5 of Report No. 4 of the Community Services and Housing Committee, that fee subsidy funds go to those families most in need. During the one-year (2007) transition to full implementation of Income Testing, the Community Services and Housing Department will maintain the parent contribution formula and wait list policy to ensure that this Council direction is maintained. The current wait list policy is in compliance with recently released provincial guidelines.

4.7 Implementation

Families not currently in receipt of child care fee assistance will be income tested at the appointment to determine their eligibility. Families currently in receipt of child care fee assistance will be income tested at their first eligibility review in 2007. The implementation of Income Testing for all families will be complete by December 31, 2007.

4.8 Monitoring and Evaluation

Through 2007, the Community Services and Housing Department will closely monitor and evaluate the impact of the implementation of Income Testing on parent revenue and service levels. During 2007, service levels will be modified as required to ensure that child care fee assistance expenditure does not exceed the budget approval. The results will be the subject of reports to Council in-year and at year-end.

5. FINANCIAL IMPLICATIONS

A preliminary analysis by York Region staff indicates that the implementation of Income Testing could result in a reduction of approximately \$600,000 (37%) in parent revenue. During 2007, service levels will be modified as required to ensure that the expenditure does not exceed the budget approval.

6. LOCAL MUNICIPAL IMPACT

The projected reduction in service levels to offset the increase in the average cost of a subsidized space in York Region will result in fewer children of eligible families in local municipalities having access to fee subsidized spaces.

7. CONCLUSION

Income Testing is expected to have a positive impact for many families as it is less intrusive for applicants than Needs Testing and, in the majority of cases, will result in a lower parent contribution. However, it is anticipated, service levels for child care fee

assistance could be negatively impacted as, without additional provincial funding, the number of subsidized spaces will be reduced to offset the increase in the average cost of a subsidized space to York Region.

Service levels will be modified as required to ensure that the child care fee assistance expenditure does not exceed budget approval.

For more information on this report contact Elizabeth Wagle, Director of Family and Children's Services in the Community Services and Housing Department.

The Senior Management Group has reviewed this report.