REGION OF OTTAWA-CARLETON | REPORT
RÉGION D'OTTAWA-CARLETON | RAPPORT

DATE	15 January 2000
TO/DEST.	Co-ordinator, Community Services Committee
FROM/EXP.	Social Services Commissioner
SUBJECT/OBJET	**CHILD CARE SUBSIDY: POLICY CHANGES INTRODUCED BY THE MINISTRY OF COMMUNITY AND SOCIAL SERVICES**

DEPARTMENTAL RECOMMENDATION

That the Community Services Committee recommend Council receive this report for information.

BACKGROUND

In July 1999, the Ministry of Community and Social Services introduced new Child Care Fee Subsidy Guidelines to municipalities. These guidelines include several changes to subsidy eligibility rules. Some of these changes are relatively minor. Of more significant impact is the direction contained in the guidelines for the treatment of RRSPs as assets.

The current Departmental policy for Child Care Fee Subsidy has been in place since February 1, 1993. The policy allows the exemption of RRSPs as assets, with certain limitations, for individuals who do not have a mandatory employer sponsored pension plan.

Under the new provincial directives, RRSPs shall be treated as liquid assets, subject to the allowable asset limits. (e.g. The asset limit for a single parent with one child is $5,000. The limit for a two parent family with two children is $6,000.) Furthermore, contributions to private RRSPs are not permitted as deductions from earned income.

DISCUSSION

Clients Affected

A review of child care cases was completed by the Policy, Planning and Performance Management Branch of Social Services. It provided a profile of cases potentially affected by this change in RRSP policy. Projecting from the sample included in this study, approximately 430 cases would be ineligible due to assets in excess of the limit. An additional 172 could experience an increase in their partial child care fee or be found ineligible, due to disallowing contributions to RRSPs. These 602 cases represent approximately 900 children in child care spaces. This is about 14% of the total subsidised spaces (6,348) in the Region and 8% of the total number of licensed spaces (11,300).

Client choice and other variables such as number of children, financial circumstances, and total cost of care make it difficult to predict the exact impact on eligibility, in advance of individual file reviews. These reviews have started.

Assessment of Impact

Social Services has invested significant time and effort in examining the impact of the provincial policy changes and has assessed various alternatives and the risks associated with them.

The Province is clear in its position that the changes announced are to be implemented. However, to do so without due process and ample notice to agencies and clients, would result in significant concern in the community and could jeopardise the capacity of agencies to keep their spaces filled to attract per diem payments which fund their operations.

A significant risk of not complying with the directive (maintaining current policy on RRSPs), could be that the Province would refuse to cost-share the subsidy paid on behalf of clients who are not eligible under the new rules, due to RRSPs in excess of the limit. Based on the sample study done, this could be a loss of cost-sharing in the order of $2.5 million annually.

It is important to note that other Consolidated Municipal Service Managers (CMSMs) in Ontario, including the City of Toronto, have already implemented or are in the process of implementing these new directives.

Decision

Social Services has introduced an approach to implementation which achieves a careful balance between the direction set by the Province and the needs of clients and agencies for enough time to prepare for the changes.

1. The Provincial directive for treatment of RRSPs as assets, along with the other policy changes, will be introduced February 1, 2000 for all applicants and recipients.

2. All existing cases with RRSPs, and cases that are partial fee payers, will be reviewed during the months of February and March, 2000. Those who are found to be ineligible under the new rules will be advised that they will no longer be eligible for child care subsidy as of September 1, 2000 if they continue to have assets in excess of the limits. Existing policies will govern the 'disposition" of these assets. This term refers to the way in which clients may use the financial resources which they have, in order to reduce their liquid asset level to something less than the maximum amount allowed for eligibility. For example, money could be spent to pay down the mortgage on a principal family residence, but if the money was used to buy a boat, the boat is still an asset and the value remains. Staff are required to examine how the money was used (the disposition of assets), to determine if there can be on-going eligibility.

3. Changes to child care fees to be paid by clients, as a result of this review, will take effect in the month following completion of the review. Note that this could require partial fee payers to become full fee payers, due to the amount of available income after RRSP contributions are disallowed.

4. Social Services will exercise its limited discretion under the guidelines to allow a deduction of no more than $100 per month for RRSP contributions, ONLY for those clients who do not have a mandatory Employer Pension Plan. This deduction will not be permitted for RRSP cases already over the asset limit, which have been grandparented until September 1, 2000.

Communication

Social Services has developed the following communication plans:

1. The Child Care Directorate which has overall responsibility for Child Care system management will provide detailed information on these changes to all child care agencies in the region.

2. All Child Care subsidy clients will receive a letter from Social Services, in early February, indicating that the Ontario Ministry of Community and Social Services has introduced these changes. The letter will describe the changes and will advise clients that those who are affected by the new RRSP policy will receive a second letter asking them to attend an interview with the necessary documentation for review.

3. Social Services has established a special 24 hour voice mail box to enable clients to telephone with questions and concerns. If not answered immediately, these inquiries will be answered within 24 hours.

4. Departmental staff have received a policy and procedure directive, detailing the specifics of the changes and outlining the steps to be taken to implement it. Expert policy support is available to staff to ensure consistent and fair interpretation of the new requirements.

<u>PUBLIC CONSULTATION</u>

Public consultation is not required for this report.

FINANCIAL COMMENTS

There is no financial impact at this time.

CONCLUSION

The new Provincial policy requirements represent a significant departure from current child care subsidy policy. The impact of these changes will be to further reduce the eligibility of working parents for child care subsidy. In particular, it affects those who do not have mandatory employer sponsored pension plans, by limiting RRSP contributions and treating RRSPs as liquid assets, subject to restrictive asset limits.

Approved by
Dick Stewart