

Briefing note: Key findings and learnings from Newfoundland and Labrador's Operating Grant Program (OGP) review ^[1]

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What is the OGP?

The Operating Grant Program (OGP) was introduced in 2014 and, since its commencement, both non-profit and for-profit providers have been eligible.

The OGP has grown significantly over the past decade, both in terms of the number of services accessing the grants and the amount of funding distributed to services. Since 2019 the amount of OGP grant funding distributed to services has increased from \$10.9 million in 2019-20 to \$30.8 million in 2022-23 (peaking at \$40.7 million in 2021-22). 73% of OGP payments distributed to centres are financed by the federal government through its transfer payments to the Newfoundland Labrador government under the Canada-Wide Early Learning and Child Care (CWELCC) agreement and other transfer arrangements. 100% of OGP payments to family child care are federally funded.

The number of providers participating in the OGP has grown from 122 in 2019 to 300 in 2023, representing 97% of regulated child care services. In 2021, 2022 and 2023 the OGP rates increased to reflect the rollout of lower fees, at \$25/day, \$15/day and \$10/day, respectively.

The program is voluntary for services. Services receiving the OGP funding must agree to set conditions including a set daily fee structure. As of January 2023, this was \$10 for infants, toddlers, preschoolers and full-day school age children. Services' applications for OGP funding are assessed against a set of criteria and the Department calculates the amount of OGP funding for each service. Services are required to collect enrolment data, and the grants are distributed quarterly based on the previous quarter's enrolment statistics. Services are monitored monthly to ensure they are adhering to program and legislation requirements.

How much funding do services receive under the OGP?

The grant payments are distributed to child care centres and family child care homes at a set rate, per space, per day and are intended to cover all related operating expenditures for services, including meal and snack allotments.

As of January 2023, the standard rate per centre-based space per day ranged from \$53.50 for infants down to \$18.50 for pre-kindergarten. There are also slightly higher Enhanced rates of \$59 down to \$20.25, respectively, which are paid to services that provide additional documentation to receive additional funding. Family home child care providers receive a flat rate grant per space per day across the age cohorts, with the ages combined and divided by three to create an even distribution of costs across the age ranges.

What is the OGP Review about?

In June 2023, The NL Department of Education engaged Deloitte to review and evaluate the Operational Grant Program to:

- Determine whether the program is meeting its objectives;
- Identify ways to improve the efficacy and efficiency of the program;
- Identify potential unintended impacts to the sector;
- Identify financial efficiencies and process improvements;
- Identify accountability mechanisms;
- Ensure those participating in the program are providing inclusive, quality child care; and
- Develop a roadmap.

The OGP Review used desk-based analysis, interviews with stakeholders and a jurisdictional scan (of British Columbia, the City of Toronto and Ireland) to consider how the OGP grants are working, and make recommendations.

The report is structured around six key themes: funding and rates, processes and program requirements, accountability, workforce, system enablers and governance, with some of the key findings outlined below.

Funding Rates

- The evaluation found that the rates do not accurately reflect the cost of service delivery, especially for infants.
- The 'base rate' and 'enhanced rate' was viewed to create a two-tiered system, often based on arbitrary documentation and assessment
- The shift to a flat-rate structure for family child care was viewed positively
- The 'full-time' funding rate can range from 4.5 hours to 9 hours, meaning there is an adverse incentive for service to be open shorter hours but still receive the same amount of OGP funding

Processes and Program Requirements

- The minimum enrolment requirements for calculating OGP funding use a 70% enrolment rate, which disproportionately impacts smaller services where the enrolment of one child can have a significant impact on the enrolment rate
- For bigger centres there is no incentive to fill spaces beyond 70% because the OGP funding will not necessarily increase. This can have the impact of rooms in centres remaining empty, while the centre receives the full rate amount.
- An allowance for 'reasonable closures' for family day homes has led to some concern that providers are over-using or misusing this measure to close and still be paid OGP funding. Family home child care providers suggested the rules are vague and more guidance around what circumstances are 'reasonable'.

Accountability

- There was some concern about self-reporting mechanisms and the possibility of mis-reporting, possibly due to time constraints and over-burden of administrative responsibilities.
- It was found that some services may be charging additional fees (defined as excursions or field trips) in order to circumvent policies. Parents do not want to speak up with a fear of losing their child's space.

Workforce

- The wage grid was viewed positively by the sector
- Although not central to the OGP, there are ongoing concerns about sector burnout, compounded by limited paid vacation and a lack of allocated time for administrative tasks

Service Delivery Enablers

- The Department of Education has implemented a number of tools to support the sector in administrative and financial requirements involved with the OGP. This includes offering both paper and electronic forms, offering town halls and workshops to answer questions and build capacity.

Governance

- The operations of OGP has recently shifted to a regional management structure, and stakeholders interviewed for the evaluation felt that further improvements and efficiencies can be realized through this shift.
- As the number of services receiving OGP funds has grown, the Department is considering establishing a formal mentorship program to help support services
- The Department is also working to develop a digital portal that would allow the Department to better assess supply and demand in order to inform system planning

Learnings for the sector

Drawing on the report's Improvement Opportunities for OGP (pp 37-48) and concluding remarks, it is evident that a number of areas that are relevant for Newfoundland and Labrador also offer learnings that can support the rollout of the CWELCC more broadly. In particular, the report points to the need to:

- Streamline operational funding for service providers, in order to reduce the administrative burden for government and service providers, and allow flexibility to allocate funds where they are needed.
- Develop provincial waitlists to streamline the administrative burden of families/parents and services. This also allows better analysis of child care system demand and capacity.
- Conduct a true-market cost analysis to determine the costs of delivering high quality ELCC. This involves separating cost items, such as wages, groceries, educational materials, infrastructure and maintenance. This would support the development of a more accurate rate structure to reflect operating costs.
- Cost analysis should also account for differential rates that reflect inflationary adjustments and costs associated with delivery in high needs areas, including rural and remote locations.
- Ensure payment rates are structured in a way that incentivize expansion (of spaces and hours, as needed), rather than discourage full enrolment or full-day ELCC (so long as it does not negatively impact quality)
- Establish long-term funding agreements and consistent payment schedules that offer services security and predictability of funding.
- Establish standardized service provider / parent contracts that limit the possibility of services charging additional fees.
- Provide ongoing mechanisms for feedback and improvement from all stakeholders, including families, staff and service providers.
- Consider innovative approaches to improve staff training, recruitment retention, included but not limited to enhanced employee benefits, flexibility in attaining qualifications, and incentives to gain further qualifications.
- Build mechanisms to inform parents so they better understand the system and are able to advocate for themselves and their children.

- Create sectoral partnerships and networking opportunities with community organizations, including education institutions, social welfare organizations, financial advisors
- Develop a long-term monitoring and evaluation strategy so that the impacts of funding and policy changes can be assessed

Operating grant programs play a central role in supporting the expansion of licensed ELCC under the CWELCC. The problems with the OGP outlined in the report must be actioned quickly in order to overcome the financial strains the sector is currently experiencing, and to make expansion of licensed early learning and child care possible and sustainable.

Related link: [Operating Grant Program review: Final report](#) [3]

[NL's Operating Grant Program \(OGP\): The sector is ready for change](#) [4]

[Child-care programs need more cash, says researcher, as N.L. releases review of operating grant](#) [5]

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