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# First Nations Early Learning and Childcare (ELCC): Funding allocation analysis

**DRAFT – FOR DISCUSSION ONLY**

AFN Dialogue Session

December 4, 2023

## IFSD's Mandate

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- This project:
  - 1) Reviewed the current funding formula (modified Berger);
  - 2) Considered existing peer-reviewed research, and present alternatives to funding ELCC (with contributions from NEWG);
  - 3) Developed recommendations for a First Nations-specific funding model for ELCC.
- A draft final report was submitted to AFN for feedback from NEWG.

## Principal takeaway

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- A bottom-up understanding of the current state of ELCC is necessary for *funding approach* changes.
- Working with First Nations and/or regions can generate understanding of:
  - Available data
  - Current programs and services
  - Current capacity
  - Needs in ELCC
- These important elements are lacking or limited.

## Context

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- Indigenous Early Learning and Child Care had a \$1.02B allocation over 10-years to support First Nations early learning and child care (ELCC) programming.
- The available funding is fixed, and the amount must be divided among recipients.
- Currently, ELCC funding for First Nations is allocated using the Modified Berger Formula (MBF).
- IFSD prepared 8 options (plus, comparison with Modified Berger) for consideration by leadership.

## Limitations and considerations

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- 1) Available data is limited. IFSD worked with the best national data it could access.
- 2) A fixed amount of funding means that a gain for one region, represents a loss for another.
- 3) There is a difference between **allocating funding**, i.e., determining a region's funding, and the **distribution of funding**, i.e., how funding reaches recipients. Regions may choose to distribute funding differently, with respect to principles and tools, than the national allocation.
- 4) Any future ELCC funding should be defined with bottom-up data from First Nations with consideration of different needs and starting points.

## Allocating fixed funding

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- There are different ways a fixed amount of funding can be divided among recipients, each with their own trade-offs:

Approach	Considerations
1) Equal per capita allocation	- Every person receives the same amount of funding without consideration of differentiated needs or contexts
2) Application-based allocations	- Opportunity to apply for as much or as little funding as needed; no guarantee of receiving it - Applications can be resource-intensive
3) Allocation based on weighted factors	- Allocations are tied to contextual factors, e.g., remoteness, poverty, and are weighted to determine funding amounts - Requires related information for calculations
4) Some combination of #1-3	- Different approaches can be combined, e.g., some equal per capita allocation for a guaranteed minimum with an application for supplements; some equal per capita allocation with a supplement based on weighted factors, etc.

## Options analysis

Option	Description	Considerations
Option 1	<ul style="list-style-type: none"> <li>- Per capita allocation</li> <li>- Total funding amount by fiscal year divided by total eligible child population on-reserve</li> <li>- Same amount of funding per child is allocated to each region</li> </ul>	<ul style="list-style-type: none"> <li>- Equal allocation</li> <li>- Does not consider contextual factors</li> </ul>
Option 2	<ul style="list-style-type: none"> <li>- Weighted per capita allocation</li> <li>- 75% of the population weight is on-reserve and 25% is off-reserve for ages 0-6</li> </ul>	<ul style="list-style-type: none"> <li>- Includes off-reserve population</li> <li>- Does not consider contextual factors</li> </ul>
Option 3	<ul style="list-style-type: none"> <li>- Per capita allocation with remoteness adjustment</li> <li>- 75% of the allocation comes from the on-reserve population and 25% from the remoteness quotient</li> </ul>	<ul style="list-style-type: none"> <li>- Consideration of remoteness</li> </ul>
Option 4	<ul style="list-style-type: none"> <li>- Per capita allocation with poverty adjustment</li> <li>- 75% of the allocation comes from the on-reserve population and 25% from the poverty quotient</li> </ul>	<ul style="list-style-type: none"> <li>- Consideration of poverty</li> </ul>
Option 5	<ul style="list-style-type: none"> <li>- Per capita allocation with adjustments for poverty and remoteness</li> <li>- 75% of the allocation comes from the on-reserve population with 12.5% from the poverty quotient and 12.5% from the remoteness quotient</li> </ul>	<ul style="list-style-type: none"> <li>- One of IFSD's suggested approaches because it includes adjustments for poverty and remoteness</li> </ul>

## Options analysis (cont.)

Option 6	<ul style="list-style-type: none"> <li>- Per capita allocation with adjustments for the off-reserve population, poverty, and remoteness</li> <li>- 75% of the allocation comes from the on-reserve population and 5% from the off-reserve population, with 10% from the poverty quotient and 10% from the remoteness quotient</li> </ul>	<ul style="list-style-type: none"> <li>- One of IFSD's suggested approaches because it includes some of the off-reserve population with adjustments for poverty and remoteness</li> </ul>
Option 7	<ul style="list-style-type: none"> <li>- Per capita allocation with adjustments for the off-reserve population, poverty, remoteness, and education</li> <li>- 75% of the allocation comes from the on-reserve population and 5% from the off-reserve population, with 7.5% from the poverty quotient, 7.5% from the remoteness quotient, and 5% from the education quotient</li> </ul>	<ul style="list-style-type: none"> <li>- IFSD does not suggest this approach given the challenges with including the education quotient</li> <li>- IFSD considers the data insufficient to capture the different forms of knowledge and skills in a First Nation</li> </ul>
Option 8	<ul style="list-style-type: none"> <li>- Per capita allocation with adjustments for the off-reserve population, poverty, remoteness, and the number of communities in the region</li> <li>- 75% of the allocation comes from the on-reserve population and 5% from the off-reserve population, with 7.5% from the poverty quotient, 7.5% from the remoteness quotient, and 5% from the number of communities quotient</li> </ul>	<ul style="list-style-type: none"> <li>- The option includes some of the off-reserve population with adjustments for poverty, remoteness, as well as the number of communities in the region</li> </ul>
Option 9	<ul style="list-style-type: none"> <li>- Current MBF using IRS 2022 data</li> <li>- Population on-reserve and Crown Lands adjusted for remoteness, with the addition of the off-reserve population (not adjusted for remoteness)</li> </ul>	<ul style="list-style-type: none"> <li>- Consideration of population on- and off-reserve, as well as remoteness</li> <li>- Maintains current approach</li> </ul>



## Quotients

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- A quotient is a ratio of two numbers.
  - The number being divided is the **dividend** (the number representing the whole), and the number by which it is being divided is the **divisor** (the number of parts it is being divided into). The resulting number is a quotient.
- Quotients can help us determine the distribution of a value in a group.
- For example, when we want to distribute a fixed pot of money among provinces based on the size of their population, the population quotient is the ratio of the population of each province to the total population of all provinces. So, the quotient represents the share of each province in the total population. Quotients are constructed for all the indicators that we are considering for the allocation of ELCC funds.

## Quotients for ELCC options

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- There are six factors that are applied in different weights and combinations to allocate ELCC funding:
  - 1) Poverty
  - 2) Remoteness
  - 3) Education
  - 4) Number of communities
  - 5) On-reserve population
  - 6) Off-reserve population
- Each of the six quotients is a numerical expression of the relevance of a particular characteristic within the population of First Nations (aggregated to the regional level) eligible to receive ELCC funding.

## Overview of quotients

Factor	Dividend	Divisor	Data source
Poverty	Total national poverty gap=sum of poverty gap of each band calculated as the difference between Market Basket Measure (MBM) and median after-tax household income multiplied by the number households of each band.	Total provincial /territorial poverty gap.	Total median household income (after-tax) from the 2016 Census and the provincial/territorial Market Basket Measure (MBM) as the relevant poverty line
Remoteness	National sum of the remoteness index of each band.	Provincial/territorial sum of the remoteness index of each band.	Statistics Canada's remoteness index
Education	Total national value of the percent of people in each band without a diploma or certificate.	Total provincial/territorial value of the percent of people in each band without a diploma or certificate.	Census 2021 for the number of people in the labour force that do not have a degree or certificate
Number of communities	Total national number of First Nations bands/communities.	Total provincial/territorial number of First Nations bands/communities	The number of First Nations in a region
Population on-reserve (ages 0-6)	National total on-reserve population of children aged 0-6.	Provincial/territorial total on-reserve population of children aged 0-6	On-reserve population, IRS 2022
Population off-reserve (ages 0-6)	National total off-reserve population of children aged 0-6.	Provincial/territorial total off-reserve population of children aged 0-6	Off-reserve population, IRS 2022

## Next steps: Funding approach

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- A funding approach can be developed ‘top-down,’ with a set of estimates and assumptions, or ‘bottom-up,’ using actual data from service providers in communities.
- However a funding approach is developed, there is information required to ensure resources align to the program’s mandate.
- The required information includes: desired goals/results, context, approaches, and inputs

## Funding approach (cont.)

Required information	Description and purpose
Desired goals/results	<p>Program or service delivery is undertaken for a purpose. For a future funding approach for ELCC, First Nations should define the intention of program and service delivery.</p> <p><i>What are the intended goals of designing and delivering ELCC? How will you know when those goals are being met? Why are you undertaking ELCC program and service delivery?</i></p>
Context	<p>To ensure that a future funding approach meets the different needs of First Nations, points of departure should be considered. This should include an assessment of existing ELCC programs and services.</p> <p><i>Does the First Nation deliver its own ELCC programs and Services? Does the First Nation have other providers for ELCC programs and services? What has been the uptake of those programs and services? What are the socio-economic characteristics of First Nations? What infrastructure related to ELCC exists in the First Nation, e.g., pre-school, health centre, etc.?</i></p>
Approaches	<p>Developing an understanding of the activities that make up (or that should make up) ELCC for First Nations will be essential to ensuring funding amounts are aligned.</p> <p><i>How are existing ELCC programs and services delivered? What are the types of activities undertaken, e.g., home visitor program, pre-school program, etc.?</i></p>
Inputs	<p>Determining what inputs exist can support gap and cost analysis for future programming and service delivery design.</p> <p><i>What are the resources leveraged to design and deliver ELCC programs and services, e.g., people, buildings, tools, etc.? What are the costs associated to these inputs, e.g., staff (consider salaries + benefits, training, and certification, etc.)? How are inputs aligned to existing programs and services?</i></p>