

TORONTO STAFF REPORT

December 15, 2004

To: Community Services Committee

From: Commissioner of Community and Neighbourhood Services

Subject: Impact of the Provincial Best Start Program on Toronto's Child Care System, Strategies to Restore Provincial/Municipal Cost Sharing, Service Levels and develop the City's Child Care System into a Universal Publicly Funded Program

Purpose:

This report describes the Provincial Best Start Program and outlines a number of child care service and funding options designed to restore Provincial Municipal cost sharing and restore lost child care subsidy spaces. In addition the report describes a strategy and funding to introduce a universal publicly funded child care program at \$10.00 per day.

Financial Implications and Impact Statement:

This report has no immediate financial implications.

Recommendations:

It is recommended that this report be received for information.

Background:

Recent announcements from the Federal and Provincial governments have signalled a renewed interest in investment in early learning and child care. The Multilateral Framework on Early Learning and Child Care between the federal, provincial and territorial governments was signed in the spring of 2003 and provides for \$900 million in investment in regulated early learning and child care programs for children under six over a five-year period from 2003-2007. The Province has announced that the City will receive \$16.8 million in 2005, year two of the Framework.

In addition to their commitment through the Multilateral Framework Agreement, the Federal government has announced the development of a national early learning and child care plan based on the principles of quality, universally inclusive, accessible and developmental. It is expected that \$5 billion will be spent over the next five years. Although no specific allocation has been announced for Ontario or Toronto, it can be expected that Ontario's annual share would be approximately \$400 million and that the City should receive between \$80 and \$100 million.

At its meeting of November 30, December 1, and 2, 2004, Council directed that the Department report to Community Services Committee during the 2005 budget process on the funding and strategies needed to restore the 80/20 fiscal balance between the Province and the City and restore all previously lost child care subsidy spaces. In addition, the Department was asked to report on the funding and strategies needed to begin phase 1 of a universal publicly funded child care system at \$10.00 per day.

Comments:

Following the direction from Council to report back on funding and strategies to restore cost sharing, service levels and develop a publicly funded universal child care system for Toronto, the Province announced its Best Start Plan. As a result, this report provides details of the Best Start Plan and its impact on the City's child care system as well as responding to Council's original directions.

Best Start Program

On November 25, 2004 the Minister of Children and Youth Services announced the framework for the government's Best Start Plan, a 10 to 15-year plan to allow all children and youth to have the opportunity to succeed and reach their full potential.

The Province's Best Start Plan will provide children and families with access to a range of seamless services to support learning and care, student success, and parental support, regardless of income. The Plan is multi-year and phased based on the provincial fiscal reality and includes significant child care expansion for 4 and 5 year olds. The plan does not follow the Quebec model of child care by fixing child care fees at a specific dollar amount per day. Instead, the Plan will build on a system of subsidy and parental contributions. The Province has announced its intention to move from the needs test to an income test in determining the level of fee subsidy for individual families. Families with incomes under \$25,000 per year are expected to have full subsidy. A sliding scale will provide families with incomes from \$25,000 to \$75,000 per year with partial subsidy and families with incomes in excess of \$75,000 will pay the full cost of care. Once guidelines for income testing are established, the Department will analyze the impact on the families currently in receipt of child care fee subsidy.

The initial phase of Best Start will focus on the expansion of child care in non-school hours for children in Junior and Senior Kindergarten. While the plan ideally increases licensed child care in schools to create early learning and care hubs, child care expansion is not limited to school locations. Early learning and care hubs will serve as a central place for screening, assessment and access to a range of services including child care, junior and senior kindergarten, Healthy Babies, Preschool Speech and Language, Infant Hearing, children's mental health, and child welfare services. The full vision for early learning will provide universal 2 1/2-hour early learning programs for all children 2 1/2 to 4 years of age.

The Best Start Plan is dependent on the federal, provincial and territorial ministers finalizing an agreement for the distribution of the federal national early learning and child care funds. It is expected that Ontario will receive \$400 million in 2005/2006 in federal funding. Toronto's share of funding is expected to be approximately \$80 - \$100 million. Child care funding in Ontario under the Day Nurseries Act is subject to cost sharing between the Province and Consolidated

Municipal Service Managers (CMSMs) at 80/20 for program costs and 50/50 for administration. However, the Minister has announced that in the first year of implementation of Best Start CMSMs will not be required to cost share in the additional expenditures. Cost sharing requirements will be restored in 2006/2007 and are estimated at \$20 million in an additional City funding. Based on preliminary information, it is expected that the additional provincial subsidy of \$80 million accompanied by the City's matching \$20 million and expected parental contributions will create 15,000 child care subsidy spaces.

In addition to announcing the Best Start Plan, the Minister announced a number of changes to current child care subsidy eligibility policies designed to improve access to subsidized child care. Effective December 1, 2004, a new policy on Improving Access to Subsidized Child Care prescribed under Ontario Regulation 366/04 provides CMSMs with greater flexibility in determining the amount of subsidized child care to provide. The new policy provides a framework to balance the needs of children and families in determining hours of care.

The Ministry has revised its policy on the treatment of Registered Educational and Registered Retirement Savings Plans. RESPs and RRSPs will no longer be considered as liquid assets in determining eligibility for fee subsidy. Families with liquid assets above the maximum allowed, \$5,000 plus \$500 for each additional family member are not eligible for child care fee subsidy. Prior to this policy change, RRSPs and RESPs were considered as assets. In addition to exempting RESPs and RRSPs, the policy allows monthly contributions to these plans as allowable monthly expenditures. Other liquid assets continue to be subject to the liquid asset maximum.

Funding and Strategies to Restore Cost Sharing and Service Levels and the Impact of Best Start

The City's child care system has been significantly impacted by over a decade of inadequate provincial funding. In spite of significant municipal investment, the City has lost over 1,800 child care subsidy spaces and the City continues to fund the child care system in excess of its cost sharing requirements. Appendix 1 shows the number of child care spaces that are fully cost shared in 2004 and 2005. Full cost sharing of the current 22,745 child care spaces would require \$3.4 million in additional provincial funding.

Over the past two years, the City has lost over 1,800 child care fee subsidy spaces. Restoration of these spaces would cost \$16.1 million provincial funding. The City share of these spaces would be found from the current 100 per cent City funding.

While Best Start will increase child care service to 4 and 5 year olds, the City has built its child care system for children from birth to age 12 based on principles of geographic and age equity. In order to provide every City ward with sufficient child care fee subsidy to serve 50 percent of eligible children, the number of child care subsidy spaces would need to be increased by an estimated 22,000 at a cost of \$200 million in provincial funding and \$50 million municipal funding. The City's Service Plan for Child Care has long held the principle that growth in the child care system must be preceded by addressing equity of access. In addition to addressing the longstanding issue of equitable distribution of child care fee subsidies, the City must advocate for ongoing provincial funding to support the current system of services to children from birth to age 12. Inflationary costs each year require a minimum of \$3 million in additional provincial funding to support current service levels.

The growth of child care in schools may place an increasing and unsustainable burden on the City to support occupancy costs associated with child care centres located in schools. Currently, the City has agreements with all four school boards to pay the occupancy costs of child care centres in schools at a total cost of \$5.4 million. The City will need to work with both the School Boards and the Province to develop a sustainable solution to the issue of occupancy costs. The Provincial Best Start Plan supports the growth of child care with capital funding for not-for-profit and municipal child care and provides operating funds for commercial child care in addition to not-for profit and municipal child care.

The past decade has seen an erosion not only of child care subsidy spaces and cost sharing balance between the City and the Province but in qualified staffing levels in child care centres. As child care operators struggled to meet increasing operating costs without increases in government funding many programs have reduced staffing to minimum Day Nurseries Act requirements. As reported in the 2003 Children's Report Card, child care centres have seen a reduction in both the number of qualified staff and an increase in the number of staff working part time hours. This trend is a concern because research clearly demonstrates the relationship between quality child care, staff training and staff/child ratio. It is useful to note that simply providing for one additional trained staff for every child care centre to support programs in meeting the needs of an increasing population of children with special needs would cost an additional \$30 million. Through the upcoming Service Plan for Child Care the Department will be reporting on a number of strategies to restore and support quality in child care.

Strategies to Deliver \$10.00 per day Universal Child Care

Notwithstanding the fact that the Best Start Plan does not include a move to a child care system at \$10.00 per day, the following outlines a number of considerations and strategies required to move towards such a system.

Currently, in Toronto, there are approximately 180,000 children less than 10 years old whose parents participate in the labour force. In order to support a universal system of services, it is estimated that the current licensed group child care system would need to almost triple from approximately 45,000 licensed spaces to 135,000 child care spaces. Operating funding to support that level of service with parental contribution of \$10.00 per day per child is estimated at \$1,034 million. If the system of services were to continue to be cost shared the City's 20 per cent contribution would be \$206 million. In Quebec the implementation period was phased in over four years and began by providing child care at \$5.00 per day for all four-year olds, before phasing the system in for three-year olds, school age children, infants and toddlers. Assuming sufficient funding were available, it would be recommended to phase in the growth of \$10.00 per day child care over a three to four-year period.

Although Quebec experienced significant growth of its child care system through increased home child care, the significant labour force participation of women in Toronto would restrict Toronto's success in developing significant expansion in home child care. As a result, it is expected that the City would need to expand its system through growth in licensed group child care. Growth of this magnitude would require significant major capital investment to support the development of new child care centres. If the system were to grow by 10 per cent each year, it would require 12 years to grow to 135,000 licensed child care spaces. Capital funding to

renovate or construct facilities to support this level of service is estimated at \$675 million without the cost of land.

Significant public dialogue concerning the governance, system management and service delivery options of such a system should occur prior to embarking on growth. Growth of the system must ensure that quality is not lost in the drive to support growth.

The Department is currently undertaking an in depth review of the differences of the City's current system of services and the Quebec system and will report on its findings early in 2005.

Conclusions:

This report outlines the recently announced Provincial Best Start Plan and identifies the impact that the plan will have on the City's current child care service system and outlines the funding required to bring the City to proper cost sharing, restore historical service levels and proposes a number of future service strategies to grow the child care system. It begins to compare the City's current system to a model of service based on Quebec's model and raises a number of questions requiring further public debate.

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List of Attachments:

Appendix 1