

Clause embodied in Report No. 2 of the Community Services Committee, as adopted by the Council of the City of Toronto at its regular meeting held on February 4, 5 and 6, 2003.

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**Financial Pressures Related to Local Service
Realignment of Child Care, Social Housing
and Ontario Works**

(City Council at its regular meeting held on February 4, 5 and 6, 2003, adopted the following recommendations:

“It is recommended that:

- (1) Council adopt the report dated January 27, 2003, from the Commissioner of Community and Neighbourhood Services, embodying the following recommendations:*

‘It is recommended that:

- (i) this report and the document, entitled “Preserving Child Care in Toronto: The Case for New Ontario Government Funding”, be received by Council; and*
- (ii) the document, entitled “Preserving Child Care in Toronto: The Case for New Ontario Government Funding”, be the foundation for action to obtain increased funds for child care from both the Ontario and federal governments.’; and*
- (2) the City of Toronto request the federal and provincial governments to ensure that in all future negotiations on programs of this type, the City have a seat at the table in designing such programs.”)*

The Community Services Committee reports having received the report dated December 18, 2002, from the Commissioner of Community and Neighbourhood Services, and having directed that it be forwarded to Council for information.

The Community Services Committee reports, for the information of Council, having requested the Commissioner of Community and Neighbourhood Services to:

- (a) report directly to Council for its meeting on February 4, 2003, on the risks to Toronto’s child care system and the opportunities and strategies for obtaining increased funding from the Federal and Provincial Governments; and*

- (b) report to the Community Services Committee on the implications of the platforms of all three provincial parties with respect to child care in Toronto.

The Community Services Committee submits the following report (December 18, 2002) from the Commissioner of Community and Neighbourhood Services:

Purpose:

This report provides an overview of the financial pressures the City faces in child care, social housing and Ontario Works.

Financial Implications and Impact Statement:

As a result of Local Service Realignment the City continues to experience service cutbacks and chronic year over year revenue shortfalls. For 2003, it is anticipated that the City revenue shortfall will be \$12.6 million in operating the child care system, \$16.6 million in operating emergency shelters and a potential shortfall of \$4.6 million in administration costs for the Ontario Disability Support Program. Negotiations continue with the Province on proposed reductions to provincial support for the administration costs of Ontario Works.

The Department will continue to report out on the status of these revenue shortfalls during the course of the 2003 budget approval process.

The Chief Financial Officer and Treasurer reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that this report be received for information.

Background:

Beginning in 1998, the Province initiated its Local Services Realignment (LSR) process. LSR involved what was intended to be a revenue neutral exchange: responsibility for a number of important services, previously funded at the provincial level, was transferred to municipalities while a portion of education costs levied through property taxes was assumed by the Province. As a result, municipal responsibility and accountability were enhanced for Ontario Works, child care, social housing, public health, land ambulance and the Ontario Disability Support Program, as well as transit operating and capital costs. Toronto was also designated as one of the 47 Consolidated Municipal Service Managers (CMSMs) to implement LSR for human services in Toronto.

Despite the provincial commitment to revenue neutrality, various jurisdictions, notably large urban areas, have demonstrated that LSR has increased municipal costs. Since the initial announcement, Toronto has consistently voiced its concern that the exercise was not revenue neutral. A recent report from the Chief Financial Officer and Treasurer on "Provincial Downloading Update – Local Services Realignment," submitted to Toronto Council in 2001, indicated that program costs resulting from LSR have substantially exceeded education tax room

provided to City of Toronto property taxpayers. The estimated differential for 2001 was \$292 million, up from a preliminary estimate of \$276 million. City staff have projected the average annual net cost of LSR to be \$376 million over the next 10 years, peaking at \$472 million in 2009. The total cost is estimated to be \$3.7 billion for the period 2001 to 2010.

At the outset of the realignment process, Toronto also expressed serious concern over the downloading of certain social program responsibilities, such as social housing, plus the continuation under LSR of municipal responsibility for social assistance benefit costs. Toronto and other municipalities have long argued that because these programs are income redistributive in nature, they should not be funded through the property tax system. The Provincial Auditor has substantially confirmed the City's position on local service realignment.

Despite the fact that municipalities are designated as service managers (CMSMs) for the Ontario Works, social housing and child care programs, the Province has assumed an increasingly directive role in these areas through provincially mandated policy and program changes and new service models. Detailed and prescriptive requirements have been imposed on delivery agents, generating additional program administration burdens and costs without any corresponding funding.

Given the above, this report provides an overview of key policy and program changes that have occurred in the areas of child care, social housing and social assistance since LSR was introduced, and the financial implications related to these changes for the City.

Comments:

(I) Child Care:

The Service Improvement Act (SIA) of January 1998 amended the Day Nurseries Act, shifting provincial and municipal roles and responsibilities, including cost-sharing. Previous to SIA, municipal involvement in child care was discretionary, although 94 municipalities across Ontario cost-shared fee subsidies with the Province. As of January 1998, municipal cost-sharing became mandatory. Most relevant to the City was the fact that the cost-sharing agreement imposed by the Province was set at 1998 service levels and corresponding costs. No new funding has been allocated to the subsidized child care system. The only new money available has been for child care falling under the Ontario Works program.

The year 1998 was the last year in which there was sufficient provincial funding to pay for the 24,216 spaces in the City's provincially approved subsidy space ceiling. Since 1998, there has been no recognition in provincial base funding of mandatory increases in the Canada Pension Plan and Employment Insurance nor for a range of client related changes such as the changing age mix of children served (more younger children being served) and the changing client mix (more low-income families paying lower user fees). This is further compounded by a growing concentration of OW families who contribute no fee revenue and 50 percent of whom have younger children, who are more costly to serve. There has also been no recognition in provincial base funding of the added cost of phasing in a return to paying operators' actual costs.

Changes to the provincial education funding formula resulted in the City paying an extra \$5.3 million annually to cover the rental costs of child care centres located in schools. Because

the Province no longer pays capital costs for child care centres, the City has also had to assume the cost of the construction of five new centres as well as most of the reconstruction costs of playgrounds which no longer meet provincial standards.

Provincial revenue shortfalls continue to grow. From 1999 to 2002, the City has lost \$46 million in revenues from the Province. This chronic revenue shortfall has forced the City to reduce the subsidized spaces by 1,616 in 2002, falling to 22,6000 spaces for Toronto. The estimated revenue shortfall for 2003 is \$12.6 million, which reflects a decrease over the last two years only because of the reduction in 1,616 spaces.

It is also being proposed that, in response to a notice from the Province that the City will be facing a revenue shortfall for the child care subsidies under Ontario Works, 200 Ontario Works child care spaces be reduced in 2003.

The City has attempted to minimize the effect of these shortfalls by drawing from reserve funds, which is not sustainable in the long term. Community and Neighbourhood Services staff are in discussions with provincial staff on this issue, but it is not clear that the provincial government is willing to reach a mutually acceptable term of agreement for child care.

(II) Social Housing:

The Social Housing Funding Act of 1998 transferred financial responsibility for social housing to municipalities. The Province was able to recover from the City the Province's costs of administering and funding social housing programs, including programs for non-profit housing corporations and co-operatives, and the Ontario Housing Corporation. For 1998 and 1999, only administration costs for the Ontario Housing Corporation and local housing authorities were recovered. As of January 1, 2000, all administration costs, including costs for Regional Offices and the head office at the provincial Ministry of Municipal Affairs and Housing, were billed to municipalities.

In January 2001, ownership of Local Housing Authorities (Metropolitan Toronto Housing Authority in Toronto) was transferred to municipalities, along with the administrative responsibilities and title to properties. The next phase of social housing devolution involved the transfer of administration of financial support for non-profit and co-operative housing ventures to the City, in May 2002. All social housing, except federally supported co-operative and provincial support housing (e.g., supporting psychiatric disabilities), has become the direct responsibility of municipal service providers.

Earlier this year, the Shelter, Housing and Support Division (SHS) of Community and Neighbourhood Services identified for the City specific budget issues for discussion with the Province:

- (1) the magnitude of the transfer; total municipal subsidy costs in 2002 are approximately \$222 million for Toronto;
- (2) the magnitude of the ongoing capital investment required to maintain the City's social housing buildings, containing about 95,400 units; and

- (3) the magnitude of the long-term financial risk associated with inflation, including utilities costs and interest rates.

While the City is now responsible for the direct funding and program administration of the social housing portfolio, the Province has set in place, through the Social Housing Reform Act 2000 and associated regulations, very prescriptive funding and operating guidelines, with a limited ability for the City to set local rules or make changes without ministerial consent. The costs related to the downloading of the social housing program do not match the associated municipal responsibilities. The long-term funding requirements associated with social housing programs are prescribed in the legislation and are presently and will continue to place a significant burden on the municipal tax base. The long-term program costs are subject to huge increases associated with inflation, higher interest rates and the future capital repair requirements of the physical stock. The City's response has been to draw from the social housing reserves, which are inadequate to address the mounting future capital cost needs of this portfolio.

(III) Emergency Shelters:

While not strictly speaking a service realignment issue as there was no downloading involved, the provincial cap on the hostel per-diems has a significant impact on the City's budget. While the funding is intended to be 80/20 provincial/municipal cost-shared, projected cost-sharing in 2002 is closer to 60/40 provincial/municipal. Between 1999 and 2002, the shortfall in provincial funding has totalled \$39.6 million. It is expected to reach an all time record of \$16.6 million in 2003. The increasing demand for emergency shelter in an environment where there is minimal development of affordable housing occurring in the City, is significantly impacting on the City's ability to continue to meet the needs of its most vulnerable communities.

The Province has communicated to Community and Neighbourhood Services staff that it is not prepared to adjust the per diem rates. Staff will continue to negotiate with the Province to address this chronic revenue shortfall.

(IV) Social Assistance:

Ontario Works:

The Ontario Works Act was proclaimed May 1, 1998. The Ontario Works (OW) program ensures that financial and employment assistance are available for people in need, while encouraging self-sufficiency. Municipalities, which historically have delivered social assistance programs to non-disabled people, were given responsibility for managing the delivery of Ontario Works.

As part of the initial LSR announcement, the Province indicated that municipalities would assume responsibility for all single parent cases, which were previously served through the former Family Benefit program delivered by the Province. In Toronto, this resulted in the transfer of over 11,000 cases to the City's OW program. The responsibility for specific programs, such as the Family Support Program, was also announced as part of LSR. While these changes were significant, they have been discussed in previous reports to Council. The focus here will be on recent changes that have amplified the impacts of LSR on the City.

The cost of administration of Ontario Works is cost-shared 50/50 with the Province. From the beginning of OW, and despite the 50/50 municipal/provincial cost-sharing agreement, the operating base for the Ontario Works program in Toronto has not reflected the actual cost of delivering the program. The Province capped its share of Toronto's social assistance administration costs in 1992. As a result, for most of the 1990s, Toronto Social Services was understaffed by at least 15 percent compared to staff levels calculated against agreed upon staff/case ratios.

In 1998, the Province introduced a new cost sharing formula for OW administration. However, this new formula creates major problems for Toronto for several reasons. The formula is based on Province-wide cost of administration averages. Since Toronto has had its administration costs capped since 1992, and since the City has consistently served 30 percent of the Provincial caseload, the resulting average costs were unrealistically low, in effect being artificially depressed by the legacy of constraint in Toronto. The formula, by using a provincial average, also does not take into account unique local factors that drive administrative costs in large cities like Toronto (e.g., rapid turnover of cases).

Under the new formula, the Province has established a new administrative funding cap that does not recognize the routine costs of doing business, such as wage and benefit settlements, occupancy costs and utility rates. The cap does not address the increasing costs associated with the new accountability and administrative requirements stemming from:

- (1) the complexity of the OW program and the detailed performance requirements laid out by the Province;
- (2) the sophisticated program management and client service skill sets, and physical and administrative infrastructure, that are vital prerequisites for effective program delivery; and
- (3) the new service delivery model and technology mandated by the Province that is not yet yielding promised performance improvements and financial savings, while requiring additional costs to ensure adequate internal control and maintain client service.

Neither does it take into account general increases in the cost of living over the past several years, since it is based on 1998 average costs.

Finally, significant new OW program responsibilities have been mandated by the Province since the initiation of LSR, such as mandatory literacy testing. Although such changes have direct workload implications and performance reporting requirements that were not part of the original service realignment agreement, the City has been advised that new initiatives must be managed within the existing administration funding envelope. The Province has also indicated further divestment of technology related items will occur in 2003.

Throughout 2002, the City has actively engaged in discussions with the Province on a range of issues, including appropriate remuneration for program activity costs. These discussions have been productive in addressing potential funding shortfalls for 2002 and talks continue with regards to 2003 base funding issues. Community and Neighbourhood Services staff will continue to negotiate fair cost-sharing arrangements with the Province to minimize any financial

pressures on the City. However, if the Province continues to arbitrarily modify funding relationships with OW delivery agents, the outcome of these funding decisions will significantly compromise the City's capacity to adequately serve OW clients, which represent approximately 30 percent of the provincial caseload.

Ontario Disability Support Program:

Created in 1998 as part of the Province's welfare reform efforts, the Ontario Disability Support Program (ODSP) replaced disability allowances under the former Family Benefits Act. Through LSR, consensus was reached that this proposed program would be delivered by the Province. However, the Province announced that municipalities would share both benefit and administration costs. Administration costs per case for ODSP are determined provincially through a distribution of costs based on the municipal portion of the total provincial ODSP caseload.

This LSR decision made the income support needs of people with disabilities a municipal funding responsibility for the first time. The City and other CMSMs have consistently maintained that this allocation of responsibility is inappropriate in that municipalities have "no say" over provincial decisions affecting ODSP.

Reflecting the unilateral nature of Provincial decisions related to ODSP, early in 2002, the City received notice from the Province that additional costs for the administration of ODSP, plus costs related to the implementation of new Welfare Fraud Control Measures, would be billed to the City beginning in 2002. When combined, new costs to the City equal total \$3.1 million in 2002, annualized to \$4.6 million thereafter. Despite repeated efforts by the City to obtain a more precise breakdown and justification for these costs, no further information has been provided by the Province.

Conclusions:

Local service realignment of human service programs has not been fiscally neutral for the City. This realignment and its corresponding costs have been compounded by provincial imperatives regarding policy and program changes for these program areas. The City will continue to manage its responsibilities by meeting program objectives and being fiscally responsible. The City has managed to do so by drawing from its reserve funds. This, however, is not sustainable in the long term. Community and Neighbourhood Services staff will continue to work with the Province on addressing revenue shortfalls under Ontario Works, but may need to give considerations to new strategies with respect to child care, social housing and emergency shelters.

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(City Council, at its regular meeting on February 4, 5 and 6, 2003, had before it, during consideration of the foregoing Clause, the following report (January 27, 2003) from the Commissioner of Community and Neighbourhood Services:

Purpose:

The document attached to this report outlines the current risks to child care in Toronto and recommends strategies for obtaining funding to sustain and expand services.

Financial Implications and Impact Statement:

There are no financial implications to the recommendations in this report.

Recommendations:

It is recommended that:

- (1) this report and the document, Preserving Child Care in Toronto: The Case for New Ontario Government Funding, be received by Council; and*
- (2) the document, Preserving Child Care in Toronto: The Case for New Ontario Government Funding, be the foundation for action to obtain increased funds for child care from both the Ontario and federal governments.*

Background:

On January 9, 2003, the Community Services Committee directed that the Commissioner of Community and Neighbourhood Services be requested to report to Council for its February-4,-2003 meeting, on the risks to Toronto's child care system and strategies for obtaining increased funding from the federal and provincial governments.

Comments:

Toronto's system of licensed child care provides services to over 45,000 children. The Ontario Government has reduced its support to Toronto for subsidized child care by \$11.8 million annually since 1999. This has had serious service impacts such as a loss of 1,616 subsidized spaces in 2002, a decline in physical infrastructure and an ongoing inability to pay operators the full cost of providing service for families receiving subsidized child care. Toronto wishes to maintain and expand child care. In annual budgets over the last 3 years, it has allocated the municipal 20% share to cover the costs of 2000 new spaces but the province has refused to cost-share the needed expansion. The City cannot continue to sustain child care alone. It needs the full partnership of the provincial and federal governments.

At the same time, the Ontario government has received \$266.8 million over that past two years from the federal Early Childhood Development Initiative (ECDI) for services to children.

Although licensed child care is one of the areas for allowable spending, the province has so far refused to use any of the federal funding for this purpose. It appears that the province has not spent all of its ECDI allocation to date and that there are funds available that could be used for child care.

The federal government signaled in the fall Speech from the Throne that it will initiate a national child care plan. The City has an opportunity to influence federal direction and to press for a direct federal/municipal relationship to obtain child care funding if the Ontario government declines to participate in the new program at all or in ways that do not result in net new spaces in Toronto.

Conclusions:

The attached document, Preserving Child Care in Toronto: The Case for New Ontario Government Funding, outlines the current risks to child care in Toronto and recommends strategies for obtaining funding to sustain and expand services.

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List of Attachments:

*Preserving Child Care in Toronto: The Case for New Ontario Government Funding
January 2003.)*

*(Preserving Child Care in Toronto:
The Case for New Ontario Government Funding*

January 2003

Introduction

Toronto's child care system is at risk. Funding cuts by the provincial government have resulted in the erosion of the system on which over 16,000 subsidized families rely. Federal funding is available in Ontario to reverse the erosion and to return stability to the child care system but the Province has declined to use it. This report will outline the risks facing the child care system in Toronto and the opportunities that exist to revitalize it.

Child Care: An Essential Service

The value of licensed, quality child care is clear. It is an essential social and educational service that enriches early childhood development and learning as well providing care to children. It enables parents to work or to receive education and training secure in the knowledge that their children are safe and well looked after. The system also provides invaluable support to the families of children with a variety of special needs.

The benefits of high quality child care to early childhood development are well known. In their landmark report to the Ontario government in 1999, Margaret Norrie McCain and Dr. Fraser Mustard, documented the value of early learning, endorsed the importance of child care and recommended more investment to maximize opportunities and benefits for families. The endorsement of child care was reiterated in the report of the Commission on Early Learning and Child Care for the City of Toronto, written by Ms McCain and Charles Coffey which also recommended increased government support.

The social benefits of child care have also been established. In a study released in 1998, economists Gordon Cleveland and Michael Krashinsky calculated that every dollar invested in child care returns two dollars in social benefits or savings.

Understanding the Child Care System

The City of Toronto provides fee subsidies so that low-income families can afford child care. The system that delivers this care is both complex and diverse. Care is provided in licensed child care centres and private homes. Toronto Children's Services has purchase of service agreements with non-profit and commercial child care centres and home child care agencies. It also directly operates 57 centres and runs its own home child care agency. In addition, Children's Services administers wage grants and other operating supports for the licensed child care sector. The viability of the system relies on a mix of full-fee-paying and subsidized users; when the subsidy system is not adequately funded the entire child care system is put at risk.

The City manages the child care system under terms of stringent provincial legislation and regulations. The system is cost shared between the City and the Province with the provincial government paying eighty per cent of the cost of fee subsidies. Fees paid by subsidized child care users also contribute to the operation of the system..

The Funding Crisis

Toronto's child care system is experiencing severe financial stress and is in the midst of rapid service decline. Since 1999, the Government of Ontario has cut its annual base funding for Toronto's child care program by \$11.8 million. In addition, provincial downloading of services and costs has handicapped Toronto's ability to sustain the child care system. As a result of lost provincial funding, Toronto is at its lowest level of subsidized child care spaces since 1992. The city lost over 1,616 subsidized spaces in 2002 as a result of inadequate funding and faces a further reduction of 700 spaces in 2003. Demand for service, however, remains high. (The waiting list for subsidized child care in Toronto historically averages 15,000 children.)

Although expansion of child care services is necessary to support children and families, existing programs urgently require funding to support their current needs, to renew playrooms and equipment and to meet salary costs. Because the Province requires centres to meet pay equity obligations but does not provide funding assistance to do so, resources must be diverted from program areas. Moreover, stricter provincial regulations regarding who can use subsidized child care and for how long, make it more difficult to provide consistent programs for children and families. Not only does this undermine positive outcomes for children, but operating a stable system becomes increasingly difficult.

Elected provincial officials have declared their support for choice in child care for Ontario families. The preferred choice of most families who require child care outside the home is licensed care. The Province's funding policy, however, has resulted in a shrinking supply of affordable, licensed care and forces families to make informal care arrangements that many are not comfortable with. (The most recent major survey on the child care needs of Toronto families (Metropolitan Toronto Child Care Needs Survey, 1994) shows that only ten per cent of families using informal care would continue to do so if they had another choice)

Real choice exists only when a full range of options is available and the Province's actions restrict parental choice at a time when demand for child care outstrips available spaces. The City, on the other hand, has shown a continuing willingness to meet service needs. For example, in addition to making up the provincial funding cutback of \$11.8 million, City Council approved 100 per cent City funding to meet the occupancy costs of child care in schools. It has also made a commitment to fund 2,000 new spaces if the Province agrees to contribute its share. The Province has declined. It is a testimony to municipal support, the hard work of child care staff and home care providers and the commitment of parents and communities—many of whom contribute thousands of volunteer hours—that Toronto has been able to maintain quality of care and levels of service during this provincial funding drought. This ability is now at risk.

The Risks and Challenges

The impacts of reduced Ontario government funding on Toronto's child care services are clear:

- *Inflation is squeezing child care operators' budgets and cutting capacity to deliver needed services.*
- *Expansion of subsidized spaces has been halted since 1997.*

- *1,616 subsidized spaces have been lost since the beginning of 2002.*
- *The Province is cutting funding for 200 child care spaces reserved for social assistance recipients.*
- *Another 500 spaces may be lost this year because provincial funding is frozen and does not cover inflation and pay equity pressures.*
- *Repairs including maintenance and retrofits to child care facilities and playgrounds (many of which have been mandated by new provincial standards and regulations) are needed.*

Without new provincial government spending on licensed child care, there will be further service erosion. The City is finding it increasingly difficult to continue to provide high-quality child care. The cuts in provincial funding affect all families using child care. Not only do current funding constraints restrict options for low and moderate income families, they threaten the viability of the entire child care system because subsidized child care spaces often provide stability for programs serving children from a mix of subsidized and full-fee paying families. In addition, provincial capital funding to expand child care and support renovations and equipment renewal have been taken out of the system. Child care is unaffordable for many families as it is. Parents cannot cover capital costs through fees. Without increased provincial funding all families may be faced with the disappearance of licensed programs or unsustainable fees. When a child care program is forced to close, families receiving subsidies and those paying the full fee all suffer.

It is important to understand all the consequences. Children will be deprived of the benefits of early learning and socialization. Employment and economic impacts will also be severe. Over 40 per cent of subsidy users (6,500), are single working parent families whose average net income is \$20,684. For most of these families the loss of child care will result in the loss of ability to sustain employment and a corresponding dependency on social assistance at a much higher cost. The reduction in child care services will also make it more difficult for Ontario Works clients to get off social assistance and find sustainable and self-supporting employment.

The closure of centres results in the loss of staff jobs and lost revenues for businesses such as caterers and equipment suppliers that service child care operators. Other vital services for children such as pre-school speech and language and early literacy programs will also suffer should child care centres close.

These challenges can only be addressed if child care is properly funded. A well-funded child care program will support children to learn, to be successful and eventually to make a positive contribution to the community. Most important, it supports good parenting, the building of a strong community and the opportunity for parents, especially mothers, to work and be economically productive. All that has been achieved over many years is at risk because the Ontario government chose to cut child care funding and refused to take advantage of the funding opportunities that exist.

Funding Opportunities

In 2000, the federal and provincial governments agreed to the terms of the Early Childhood Development Initiative (ECDI). The federal government promised to transfer \$2.2 billion to the provinces over five years to fund programs for children, including child care.

To date, the Ontario government has refused to use any of its share of the funds —\$880 million over the five years of the program—to stabilize, improve or expand licensed child care anywhere in Ontario. Instead of shoring up the deteriorating child care system, the government has chosen to create Early Years Centres in each provincial riding. While the centres offer parents advice and information on early childhood development opportunities in their communities, they do not provide care or the direct benefits of early learning. What the Province has done in effect is to create a parallel service system that duplicates family resource services already available in Toronto without adding any capacity to respond to families' non-parental care needs.

But even after establishing the Early Years Centres, there is still federal ECDI funding available to Ontario. Figures cited by the Minister of Community, Family and Children's Services indicate that \$113 million remains unspent and available after the first two years of ECDI operation. Since Toronto has 20 per cent of Ontario's child population, its share of the unspent funds would be \$23 million.

With the exception of Ontario, all provinces have recognized the value of child care to families and to enhancing early childhood development and have used ECDI funding to support their child care systems. Quebec has established a provincial child care program that provides licensed child care in communities for \$5.00 per day.

The Government of Canada is once again contemplating a national child care program but given Ontario's attitude to child care funding, the success of the initiative in this province is uncertain at best. The financial means exist to revitalize the child care system but the provincial government has declined to take advantage of the existing opportunities or to encourage the development of new sources of federal funding.

The Solution

*The Ontario Government has restrained and reduced its support for licensed child care, precisely those programs preferred by Toronto families because they offer children an enriched, meaningful experience consistent with early childhood development needs. At a time of increased interest in and attention to healthy child development, research shows that that high quality, regulated child care is better than informal situations in which children are likely to spend their days in environments that may be neither stimulating nor safe. (See Hertzman et al, *The Importance of Early Years for Lifelong Health*, 2001).*

Ontario's decision to fund the Early Learning Centres as its sole early childhood development initiative while refusing to increase funding for child care is contradictory. Combining the centres with a stable, properly funded child care system would make them more valuable to families. By not integrating the Early Years Centres with licensed child care, the Province has made its own initiative less effective and has ignored the advice of its own experts, Fraser Mustard and Margaret McCain who in a follow-up report released in 2002, criticized the provincial government for its lack of attention to their original recommendations.

Good child care benefits everyone—children, parents, business and the community's advancement. Success in education begins with high quality early learning and child care. Child care contributes to an educated population by removing barriers to students entering the workplace and providing parental employment supports. These outcomes support business, provide employment and fuel a strong economy and a dynamic, confident and growing community. The Commission for Early Learning and Child Care identified Toronto's children's services, of which child care is the core service, as one of the city's competitive advantages.

The Ontario government has an important responsibility to fully support child care in order to achieve early childhood development goals which will sustain the type of healthy and well-educated population and generate the long-term prosperity which benefits all of us. The federal government may also be on the verge of fulfilling a long-delayed promise to implement a national child care program which, if adopted, would provide future sources of funding in Ontario and across the country. Support for such a plan is strong. A poll conducted late in 2002 by Millward Brown Goldfarb, for the Canadian Child Care Federation and the Child Care Advocacy Association of Canada shows that 90 per cent of Canadian support a nationally co-ordinated child care plan.

The City of Toronto is ready to work in partnership with the Ontario and federal governments to restore and strengthen Toronto's current child care services. There are four critical steps to revitalizing child care system in Toronto:

- (1) As a first step, Toronto urges the Province to immediately allocate \$18.6 million from ECDI funding to stabilize the child care system, to prevent further service loss, to recover service that has been lost and to begin to meet the need for more services. This would be used in the following manner:
 - (a) \$7.9 million to stabilize current service levels and protect against future erosion; and*
 - (b) \$10.7 million to restore lost spaces.**
- (2) Provide an additional annual increase of \$12.3 million to fund long-term expansion and development.*
- (3) Integrate the Early Years Centres in Toronto into the City's child care system to provide comprehensive early learning and care services for children and families.*
- (4) The federal, provincial and territorial governments must collaborate to develop a national child care plan based on the expansion of high-quality, affordable and accessible programs for Canadian children.*

The increased funding will be used to immediately stabilize child care and prevent future service loss. It will enable:

- Protection of the existing child care system by preventing further service cuts*
- Restoration of the 1,616 spaces lost in 2002*
- Investment in minor capital funding, new equipment purchases and covering inflationary costs since 1999 and rebuilding base funding to prevent the further erosion of services.*

- *Meeting service demand by adding new spaces.*

Conclusion

Investments in child care will pay dividends in early learning and healthy child development, support of parental work and study, lessen poverty and contribute to a strong, vibrant community. The funding needs of Toronto's child care system are urgent and its future is uncertain but revitalization is within reach if all the parties involved choose to act on the opportunities that are available.

Key Facts

- *Toronto's Child Care program provides services to over 45,000 children.*
- *There are 22,600 subsidized child care spaces.*
- *In 2002, Toronto budgeted \$296 million for child care services; of this amount, \$202 is a provincial allocation. The difference of approximately \$94 million was divided between City of Toronto (\$76 million) and fees paid by subsidized clients (\$18 million).*
- *Toronto's child care waiting list has historically averaged 15, 000 children.*
- *The Government of Canada's Early Childhood Development Initiative gives Ontario over \$880 million to support children's initiatives and services up to 2005-06.*
- *Ontario has cut its total base contribution to Toronto's child care program by \$11.8 million annually since 1999.. The accumulated impact of this cut has been over \$35 million over the last three years.*
- *Toronto is seeking \$18.6 million annually from Ontario as a first step to stabilize child care and to begin to meet the need for more services.)*