

Clause embodied in Report No. 8 of the Community Services Committee, as adopted by the Council of the City of Toronto at its meeting held on October 1, 2 and 3, 2002.

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Proposed 2002 Spending Strategy for Child Care Services

(City Council on October 1, 2 and 3, 2002, adopted this Clause, without amendment.)

The Community Services Committee recommends the adoption of the report dated August 16, 2002, from the Commissioner of Community and Neighbourhood Services, subject to amending Recommendation No. (3) to read as follows:

“(3) the City continue to advocate to the Province for its fair share of the Federal Early Childhood Development Initiative (ECDI) funding, as distributed by the Province, to support the City’s priorities for young children, including child care, as identified in the Children’s Action Plan, Toronto’s Child Care Service Plan and “The Early Years Study Three Years Later” by Dr. Fraser Mustard and Margaret Norrie McCain;”.

The Community Services Committee reports, for the information of Council, having directed that the Commissioner of Community and Neighbourhood Services be requested to forward a copy of “The Early Years Study Three Years Later” to Members of the Community Services Committee, and a copy of the Executive Summary from such report to all other Members of Council.

The Community Services Committee submits the following report (August 16, 2002) from the Commissioner of Community and Neighbourhood Services:

Purpose:

This report identifies the provincial subsidy available for child care services, discusses the implications of the cost-sharing shortfall and recommends a 2002 spending strategy for City funding approved in the Children’s Services operating budget.

Financial Implications and Impact Statement:

The spending strategy recommended in this report can be implemented within the 2002 approved operating budget. The Chief Financial Officer and Treasurer concurs with the reported financial implications and impacts.

Recommendations:

It is recommended that:

- (1) \$.5 million of the net City contribution to child care which was approved in the 2002 budget but which has not secured provincial cost-sharing approval be spent to finance approved health and safety projects including playground retrofit in child care programs;
- (2) the balance of the net City contribution to child care which was approved in the 2002 budget but which has not secured provincial cost-sharing approval (\$2.9 million) be spent to implement this year's base funding increment in the phased return to the payment of actual costs for child care programs under contract with the City including child care centres, private home child care agencies and providers, family resource centres and agencies providing special needs resourcing;
- (3) the City continue to advocate to the Province for its fair share of the provincial Early Childhood Development Initiative (ECDI) funding to support the City's priorities for young children, including child care, as identified in the Children's Action Plan and Toronto's Child Care Service Plan; and
- (4) the appropriate City officials take the necessary action to give effect thereto.

Background:

On June 27, 28 and 29, 2001, City Council approved Toronto's Child Care Service Plan. The plan subsequently received approval in principle from the Province who requires that the City update it annually. The 2002 Children's Services operating budget which was approved by Council on March 4, 5, 6, 7 and 8, 2002, and sent to the Province for cost-sharing consideration constituted the required annual update of the City's intentions with respect to the child care portfolio it manages. This report provides the preliminary provincial response to the City's funding request for child care for 2002.

In addition to the provincial support of service for young children realized through its subsidy for child care, the Province also finances a range of services for young children and families as part of its Early Years Plan. The provincial Early Years Plan allocates the federal Early Childhood Development Initiative (ECDI) funding to communities across Ontario. When this federal funding and the subsequent Ontario Early Years Plan it financed were first announced, Toronto expected that it would receive its fair share and that some of this money would be used to support child care. On a per capita basis, Toronto did not receive its fair share of this ECDI funding in 2001/2002 and none of the money was allocated by the Province to child care. Council, at its meeting held July 30, 31 and August 1, 2002, asked the Province to flow the additional \$14.1 million owed to the City's children. This report also provides an update on the provincial response to this latest request by the City for its fair share of the ECDI funding.

The 2002 operating budget approved by the City established the following spending expectations with respect to child care assuming that full provincial cost-sharing would be forthcoming.

- (1) the City would provide up to 24,216 subsidized child care spaces.

- (2) the City would implement the next base adjustment in the phased return to the payment of actual costs for child care programs under contract with the City and including child care centres, private home child care agencies and providers, family resource programs and agencies providing special needs resourcing.
- (3) the City would provide up to \$2.5 million in minor capital funding to address approved health and safety priorities, including playground retrofit in childcare programs.
- (4) the City would implement up to 2,000 additional fee subsidy spaces.

This report provides an indication of the expected level of provincial funding available to support child care priorities and recommends a 2002 spending strategy for child care that is consistent with the Child Care Service Plan and the City's Action Plan and that is affordable within the funding available from the City and the Province.

Comments:

Provincial Response:

In a preliminary response to the City's 2002 approved budget and funding request, the Province has unofficially confirmed that for all items except Ontario Works funded child care, the City may expect the same level of provincial subsidy as in 2001 (\$164.9 million). The Toronto Regional Office of the Ministry of Community, Family and Children's Services has not yet received its own allocation for Ontario Works funding but it is not expected to be less than in 2001 (\$11.1 million). The preliminary funding approval level communicated by the Province makes no allowance for inflationary adjustments or service expansion. In fact, since 1999 the provincial funding has actually declined by \$11.8 million to \$176.0 million instead of increasing by approximately \$3.5 million per year to accommodate an inflation adjustment of 2 percent.

The City has not yet received an official response from the Province to its request for the balance of the ECDI funding that would constitute its "fair share" on a per capita basis. But there has been no indication that the Province is ready to alter its "anything but child care" funding strategy of the recent past. Therefore, even if there were additional provincial funds allocated to Toronto under the ECDI funding, it is improbable that they would be designated to child care.

There are a number of impacts and implications for child care services in Toronto of the preliminary provincial funding response received.

- (1) The approved provincial subsidy is sufficient to provide only 22,600 of the historic 24,216 spaces at 2002 costs. This amounts to a space loss of 1,616 spaces. (Note: This space reduction is being partially offset by the 280 spaces currently funded through the National Child Benefit savings, leaving a net space loss of 1,336).
- (2) The approved provincial subsidy is insufficient to cost-share the 2002 base adjustment to child care programs planned as part of the multi-year phased return to actual costs.

- (3) The approved provincial subsidy is insufficient to cost-share minor capital funding to address health and safety, including playground retrofit issues being faced by child care programs.

2002 City Spending Strategy for Child Care:

The need for child care in the City is great. There are still over 15,000 children on the waiting list for child care subsidy. Demand for child care to support Ontario Works families continues to outstrip the Ontario Works (OW) funded child care spaces available. In addition to using all 2,050 OW-funded child care spaces, these OW families are also using approximately 21 percent of the regular fee subsidies thereby restricting subsidy availability for eligible families who are working and studying.

The expectations from the community for continued City support of child care are high. The City has continued to confirm its support for child care through its approval of the Child Care Service Plan, the Action Plan for Children and Youth and most recently through its endorsement of the recommendations from the Commission on Early Learning and Child Care. The community is also aware that the City has recognized the cost of inflation in its approved budget and that a 2002 union salary settlement of 3 percent for the City's own child care staff is imminent.

For several years now, the City has coped with levels of provincial funding that do not reflect the established funding formula of 80 percent of the program costs and 50 percent of administrative costs. 1998 was the last year when there were sufficient provincial funds to pay for the full 24,216 subsidy space ceiling. Provincial subsidy declined from \$187.8 million in 1999 to \$178.4 million in 2000 to \$176.0 million in 2001 and approximately the same in 2002.

The current challenge facing the City is how to respond to the community's needs and expectations with respect to child care in a way that maximizes the use of available provincial funding, adheres to the provincial service level agreement with the City, and is consistent with Council approved funding and priorities.

The 2002 spending strategy for child care being recommended in this report attempts to meet all of these challenges. To maximize the use of available provincial funding, the Department is recommending a number of actions. These include the following:

- (1) Continue to mitigate further subsidy space loss by using available NCB savings to finance approximately 280 spaces.
- (2) Utilize \$.5 million of the City funds approved in the budget but not subsequently approved for cost-sharing by the Province to fund one time health and safety requests including playground retrofits from the child care community. Programs are being surveyed to identify and prioritize need for minor capital.
- (3) Utilize the balance of the City funds approved in the budget but not subsequently approved for cost-sharing by the Province (\$2.9 million) to make the planned 2002 base rate adjustment to child care programs under contract with the City including licensed child care centres, home child care agencies, providers, family resource programs and special needs resourcing.

An alternative to investing the \$3.4 million net City funds in a base rate adjustment and health and safety initiatives was considered but rejected by the Department. These funds would also be sufficient to finance 100 percent of the cost of up to 450 subsidized child care spaces. This approach was not recommended in recognition that the return to the payment of actual costs has consistently been the community's first priority.

Implications of the 2002 Recommended Spending Strategy for the 2003 Operating Budget:

This report recommends the use of all 2002 City approved funding for child care despite the provincial failure to provide full cost-sharing of the City's approved child care budget.

The annualized impact of the spending strategy being recommended for 2002 is a continuation of the current level of reduction in the subsidy space ceiling. Without future additional provincial and City funding, the City's subsidy space target will have been reduced from 24,216 to 22,600 (exclusive of the 280 spaces funded through NCB savings which can fluctuate on an annual basis). The actual level of spaces funded may also vary slightly due to the impact of the City's first come – first served policy on per diems and revenue.

The spending strategy being recommended for 2002 also acknowledges that child care is no longer a fully cost-shared program under the historic 80:20 formula. With the implementation of the recommended spending strategy, the City's contribution to subsidized child care expenditures will rise from 20 percent to approximately 21.6 percent.

Conclusions:

Preliminary indications from the Province suggest that the City will receive provincial subsidy at the 2001 level of funding of \$176.0 million. Up to \$3.4 million of approved City funding for child care will not receive provincial cost-sharing. In response to this provincial decision the Department is recommending a 2002 spending strategy for child care which will maximize the available provincial cost-sharing, fully utilize the City's spending approval and address the Council approved child care priorities in both the Service Plan for Child Care and the Children and Youth Action Plan. The details of this spending strategy have been outlined in this report.

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Ms. Jane Mercer, Toronto Coalition for Better Child Care, appeared before the Community Services Committee in connection with the foregoing matter.