

June 14, 2007

To: Executive Committee

From: Budget Committee

Subject: 2007 Best Start Update to Child Care Service Plan and Report Back on Income Testing

Recommendations:

The Budget Committee recommended to the Executive Committee that:

- 1. Council approve the 2007 Best Start Update to the Toronto Child Care Service Plan attached as Appendix 1 and that the approved plan be forwarded to the Ministry of Children and Youth Services;**
- 2. the Children's Services' 2007 Approved Operating Budget be amended to include an additional \$6,815.557 thousand in provincial Best Start revenues offset by a reduction of \$6,815.557 thousand in parent fees due to the introduction of income testing;**
- 3. any additional reduction in parent fees in 2007 due to the introduction of income testing be funded from the Child Care Expansion Reserve Fund (CCERF);**
- 4. retroactive to January 1, 2007, base funding rate adjustments be made to eligible child care operators, family resource programs, special needs resourcing services and home child care provider rates in accordance with city budget guidelines and in a manner that maximizes the available provincial subsidy;**
- 5. health and safety funding of \$1.0 million, included in Children's Services' 2007 Approved Capital Budget, be paid to eligible child care operators;**
- 6. the General Manager of Children's Services report to the Community Development and Recreational Committee and Budget Committee in December 2007, on the additional 2007 draw from the CCERF that may be required due to the impact of income testing and the expected service impacts in 2008;**

7. **the City continue to advocate with the province for adequate, flexible and multi-year funding for child care, including \$15 million for income testing and \$20 million for the base budget in 2008; and further, an additional \$28 million per year be requested for 2008 and 2009 to increase the number of fee subsidies available for the growing wait list of families eligible for subsidy;**
8. **City Council endorse the speedy passage of Bill C-303, an Act to establish criteria and conditions in respect of funding for early learning and child care programs in order to ensure the quality, accessibility, universality and accountability of those programs, and to appoint a council to advise the Minister of Human Resources and Skills Development on matters relating to early learning and child care, currently before the Federal Parliament;**
9. **the General Manager, Children's Services, be requested to report to the September 7, 2007, meeting of the Community Development and Recreation Committee on possible new policies and incentives to increase the availability of part-time and after hours child care; and**
10. **the appropriate officials be authorized to take the necessary action to give effect thereto.**

Financial Impact

The Minister of Children and Youth Services has confirmed that the City will receive an additional \$9.1 million in Best Start funding for 2007/2008. As with previous Best Start funding, there is no net impact to the City. The Children's Services' 2007 Operating Budget must be adjusted to account for the additional \$6.8 million (2007 allocation) in provincial revenues. The additional provincial revenue is expected to partially offset the reduction in parent fees resulting from the introduction of Income Testing. Currently, the Division has estimated \$7.5 million reduction in parent fees due to the phasing of Income Testing in 2007 (\$15.0 million annualized). Any reduction in parent fees beyond the additional provincial revenues of \$6.8 million (included in Recommendation No. 2), estimated at \$0.7 million (\$7.5 million less \$6.8 million) is recommended to be funded from an additional draw from the CCERF.

The Child Care Expansion Reserve Fund is expected to be exhausted in 2008 (as shown on the table below). Current provincial funding is not sufficient to maintain current service levels and absorb the full year impact of Income Testing in 2008. Service reductions may be necessary by September 2008 to fully implement service level reductions in 2009. The General Manager of Children's Services will report to the Community Development and Recreation Committee and Budget Committee in late 2007 on the service level impact in 2008.

Decision Advice and Other Information:

Councillor Mihevc advised that, because this matter is urgent, he would be moving a Procedural motion at City Council on June 19, 2007, in accordance with Municipal Code Chapter 27, Council Procedures Section 27-60(A), to request Council to remove the Community Development and

Recreation Committee's report (June 5, 2007) from the Executive Committee, so that it can be considered by Council on June 19, 2007.

Background:

The Budget Committee on June 13, 2007, considered a report (June 5, 2007) from the Community Development and Recreation Committee, forwarding the Committee's recommendations on June 5, 2007.

for City Clerk

Merle MacDonald/mh
Item BU13-14

c. Councillor Joe Mihevc

June 5, 2007

To: Budget Committee

From: Community Development and Recreation Committee

Subject: 2007 Best Start Update to Child Care Service Plan and Report Back on Income Testing

Committee Recommendations:

The Community Development and Recreation Committee recommended to the Budget Committee that:

- 1. Council approve the 2007 Best Start Update to the Toronto Child Care Service Plan attached as Appendix 1 and that the approved plan be forwarded to the Ministry of Children and Youth Services;**
- 2. the Children's Services' 2007 Approved Operating Budget be amended to include an additional \$6,815.557 thousand in provincial Best Start revenues offset by a reduction of \$6,815.557 thousand in parent fees due to the introduction of income testing;**
- 3. any additional reduction in parent fees in 2007 due to the introduction of income testing be funded from the Child Care Expansion Reserve Fund (CCERF);**
- 4. retroactive to January 1, 2007, base funding rate adjustments be made to eligible child care operators, family resource programs, special needs resourcing services and home child care provider rates in accordance with city budget guidelines and in a manner that maximizes the available provincial subsidy;**
- 5. health and safety funding of \$1.0 million, included in Children's Services' 2007 Approved Capital Budget, be paid to eligible child care operators;**
- 6. the General Manager of Children's Services report to the Community Development and Recreational Committee and Budget Committee in December 2007 on the additional 2007 draw from the CCERF that may be required due to the impact of income testing and the expected service impacts in 2008;**
- 7. the City continue to advocate with the province for adequate, flexible and multi-year funding for child care, including \$15 million for income testing and \$20 million for the base budget in 2008; and further, an additional \$28 million per year be requested for 2008 and 2009 to increase the number of fee subsidies available for the growing wait list of families eligible for subsidy;**

8. **City Council endorse the speedy passage of Bill C-303, An Act to establish criteria and conditions in respect of funding for early learning and child care programs in order to ensure the quality, accessibility, universality and accountability of those programs, and to appoint a council to advise the Minister of Human Resources and Skills Development on matters relating to early learning and child care, currently before the Federal Parliament;**
9. **the General Manager, Children's Services, be requested to report to the September 7, 2007, meeting of the Community Development and Recreation Committee on possible new policies and incentives to increase the availability of part-time and after hours child care; and**
10. **the appropriate officials be authorized to take the necessary action to give effect thereto.**

Background:

The Community Development and Recreation Committee on June 5, 2007, considered a report (May 22, 2007) from the General Manager, Children's Services, respecting the "2007 Best Start Update to Child Care Service Plan and Report Back on Income Testing."

Recommendations:

The General Manager of Children's Services recommends that:

1. Council approve the 2007 Best Start Update to the Toronto Child Care Service Plan attached as Appendix 1 and that the approved plan be forwarded to the Ministry of Children and Youth Services;
2. the Children's Services' 2007 Approved Operating Budget be amended to include an additional \$6,815.557 thousand in provincial Best Start revenues offset by a reduction of \$6,815.557 thousand in parent fees due to the introduction of income testing;
3. any additional reduction in parent fees in 2007 due to the introduction of income testing be funded from the Child Care Expansion Reserve Fund (CCERF);
4. retroactive to January 1, 2007, base funding rate adjustments be made to eligible child care operators, family resource programs, special needs resourcing services and home child care provider rates in accordance with city budget guidelines and in a manner that maximizes the available provincial subsidy;
5. health and safety funding of \$1.0 million, included in Children's Services' 2007 Approved Capital Budget, be paid to eligible child care operators;
6. the General Manager of Children's Services report to the Community Development and Recreational Committee and Budget Committee in December 2007 on the additional 2007

draw from the CCERF that may be required due to the impact of income testing and the expected service impacts in 2008;

7. the City continue to advocate with the province for adequate and stable funding for child care; and
8. the appropriate officials be authorized to take the necessary action to give effect thereto.

Jane Mercer, Executive Coordinator, Toronto Coalition for Better Child Care, addressed the Community Development and Recreation Committee and filed a written submission.

City Clerk

Candy Davidovits/lv
Item CD6.9

Attachment

- c. General Manager, Children's Services
Jane Mercer, Executive Coordinator, Toronto Coalition for Better Child Care



STAFF REPORT ACTION REQUIRED

2007 Best Start Update to Child Care Service Plan and Report Back on Income Testing

Date:	May 22, 2007
To:	Community Development and Recreation Committee
From:	General Manager, Children's Services
Wards:	All
Reference Number:	

SUMMARY

This report seeks approval for the 2007 Best Start Update to the City's 2005-2009 Child Care Service Plan, updated to reflect the impact of income testing, outlines the City's allocation of new provincial Best Start funding and recommends base rate increases to child care operators. The updated Service Plan describes the current service levels and the funding shortfalls for 2007 and 2008 including expected reductions in parent revenues from income testing. The Division held information sessions with parents and other stakeholders on the financial pressures facing the City as a result of base funding pressures and the impact of income testing. This report provides information on the results of the information sessions. The updated plan provides a strategy to address the impact of income testing by maintaining service levels through the use of the Child Care Expansion Reserve Fund (CCERF). The Reserve is expected to be exhausted in 2008 and the plan proposes that service reductions would occur in September 2008.

RECOMMENDATIONS

The General Manager of Children's Services recommends that:

- 1) Council approve the 2007 Best Start Update to the Toronto Child Care Service Plan attached as Appendix 1 and that the approved plan be forwarded to the Ministry of Children and Youth Services;
- 2) the Children's Services' 2007 Approved Operating Budget be amended to include an additional \$6,815.557 thousand in provincial Best Start revenues offset by a reduction of \$6,815.557 thousand in parent fees due to the introduction of income testing;
- 3) any additional reduction in parent fees in 2007 due to the introduction of income testing be funded from the Child Care Expansion Reserve Fund (CCERF);

- 4) retroactive to January 1, 2007, base funding rate adjustments be made to eligible child care operators, family resource programs, special needs resourcing services and home child care provider rates in accordance with city budget guidelines and in a manner that maximizes the available provincial subsidy;
- 5) health and safety funding of \$1.0 million, included in Children's Services' 2007 Approved Capital Budget, be paid to eligible child care operators;
- 6) the General Manager of Children's Services report to the Community Development and Recreational Committee and Budget Committee in December 2007 on the additional 2007 draw from the CCERF that may be required due to the impact of income testing and the expected service impacts in 2008;
- 7) the City continue to advocate with the province for adequate and stable funding for child care; and
- 8) the appropriate officials be authorized to take the necessary action to give effect thereto.

FINANCIAL IMPACT

The Minister of Children and Youth Services has confirmed that the City will receive an additional \$9.1 million in Best Start funding for 2007/2008. As with previous Best Start funding, there is no net impact to the City. The Children's Services' 2007 Operating Budget must be adjusted to account for the additional \$6.8 million (2007 allocation) in provincial revenues. The additional provincial revenue is expected to partially offset the reduction in parent fees resulting from the introduction of Income Testing. Currently, the Division has estimated \$7.5 million reduction in parent fees due to the phasing of Income Testing in 2007 (\$15.0 million annualized). Any reduction in parent fees beyond the additional provincial revenues of \$6.8 million (included in Recommendation No. 2), estimated at \$0.7 million (\$7.5 million less \$6.8 million) is recommended to be funded from an additional draw from the CCERF.

The Child Care Expansion Reserve Fund is expected to be exhausted in 2008 (as shown on the table below). Current provincial funding is not sufficient to maintain current service levels and absorb the full year impact of Income Testing in 2008. Service reductions may be necessary by September 2008 to fully implement service level reductions in 2009. The General Manager of Children's Services will report to the Community Development and Recreational Committee and Budget Committee in late 2007 on the service level impact in 2008.

Child Care Expansion Reserve Fund (Best Start)	\$000s
2006 Year-end Balance	45,296.4
Council Approved Draws in 2007:	
2007 Operating Budget	(15,904.3)
2007 Capital Budget	(887.1)
Estimated additional draw required in 2007 due to Income Testing (\$7.5m - \$6.8m)	(700.0)
2007 Projected Year-end Balance	27,805.0
2008 Projected withdrawals to maintain 2007 service levels	(22,202.3)
2008 incremental impact of Income Testing (\$15.0m - \$9.1m)	(5,900.0)
Total 2008 Required Draw to maintain services levels	(28,102.3)

Also, Children's Services 2007 Approved Capital Budget includes a Health and Safety/Playground Project of \$5.0 million to assist child care operators address health and safety concerns including playground retrofit. Recommendation No. 3 of the Children's Services 2007 Approved Capital Budget states that "approval of the \$4.0 million, representing the provincial portion of the \$5.0 million gross expenditure for the Health and Safety/Playground project, be conditional on receiving this funding from the Province". It is not expected that these funds will be received, thus, this report recommends that Children's Services spend the \$1.0 million included in the 2007 Approved Capital Budget, representing the City's portion of the Health and Safety funding.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

City Council at its meeting of May 17, 2005 considered a report dated April 11, 2005 from the General Manager of Children's Service and approved the City of Toronto's Child Care Service Plan for 2005-2009.

See

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050517/pof5rpt/cl020.pdf>

Amendments to the plan were approved at Council meetings of October 26, 2005;
See Approval of the Best Start Service and Transition Plan as Amendments to the 2005-2009 Toronto Child Care Service Plan Appendix 1 Best Start Transition Infrastructure Plan;
<http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pof9rpt/cl021.pdf>

and July 25, 2006.

See Approval of the Child Care Service Plan Update

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl030.pdf>

The Community Development and Recreation Committee, at its meeting of February 19, 2007 received a staff report for information on the Impact of Income Testing.

See

<http://www.toronto.ca/legdocs/mmis/2007/cd/bgrd/backbroundfile-1566.pdf>

<http://www.toronto.ca/legdocs/mmis/2007/cd/bgrd/backbroundfile-1597.pdf>

<http://www.toronto.ca/legdocs/mmis/2007/cd/bgrd/backbroundfile-1567.pdf>

ISSUE BACKGROUND

The Child Care Service Plan

The City's 2005-2009 *Child Care Service Plan* adopted by Council in May 2005 and amended in October 2005 to incorporate Best Start funding sets direction to guide the child care system over a period of time and forms the framework for service planning and resource allocation over a five-year period. Recommendations identified through the service planning process focus on four key areas: (i) improving quality of services, (ii) developing a system of services for children; (iii) access and equity and (iv) building public support for child care. The Plan was amended again in July 2006 as a result of reduced funding for Best Start. The 2007 Best Start Update to the Child Care Service Plan provides an overview of achievements for 2006 and 2007 and identifies the impact of inadequate funding on the City's child care system. The plan indicates that the \$6.8 million in additional provincial Best Start funding will be offset by reductions in parent user fees. The plan is submitted assuming full cost sharing by the province.

Income Testing

Effective January 2007 the province introduced income testing as the method of determining eligibility for child care subsidy. Income testing will make more families eligible for child care subsidies but is expected to reduce fees paid by parents. After almost 5 months experience with income testing, the impact is as predicted in the February 07 staff report for information – that the City will probably lose \$7.5 million in user fees in 2007 and \$15 million annualized thereafter. Toronto, unlike other jurisdictions, was able to accurately predict the financial impact because it had income data on 93% of its clients prior to the introduction of income testing.

New Provincial Monies

The 2007 Provincial Budget announced \$25 million in new funds for child care growing to \$50 million in 2008, plus an additional \$20 million in Multilateral funding from the Federal Government for a total of \$45 million in 2007. Toronto had anticipated that it would receive \$8.4 million in 2007 and \$15.9 million in 2008 as the City's share of the 2007/08 provincial monies, and that these amounts would address the impact of income testing.

The Province wrote to Heads of Council mid April with the allocations for the child care monies. Toronto's actual share is \$6.8 million in 2007 and \$9.1 million in 2008. This is not enough money to address the impact of income testing and this report proposes that any reduction in parent revenues not offset by new provincial funding be funded through the Child Care Expansion Reserve Fund.

Community Information Sessions with Stakeholders

Prior to the announcement of additional Best Start funding the City was planning to consult with stakeholder on the impact of income testing. Community information sessions have been held with stakeholders to inform them about the financial pressures facing the City's child care system, including the impact of income testing and the base funding shortfall. Information from the sessions has informed the 2007 Best Start Update to the Child Care Service Plan. The sessions were kicked off at the April meeting of the Child Care Advisory Committee by the Chair and Vice Chair of the Community Development and Recreation Committee. Additional sessions were held for child care operators and Board members in each of the four quadrants of the city. City-sponsored parent meetings were held in 3 child care centres co-sponsored by centres in different parts of the City.

The consultations were broadly publicized and provided access across the City. The presentation slides used for the kick off and consultation sessions with the child care operators were posted on the Children's Services web site. A Fact Sheet on Financial Pressures Facing the City's Child Care System was developed for and distributed at parent meetings and also posted on the Children's Services web site.

What we heard from the operators is that

- (i) operators want payment of actual costs
- (ii) they want service levels maintained
- (iii) they do not want parent fees to increase, and
- (iv) operators are already experiencing vacancies.

What we heard from parents is that

- (i) there is not enough child care
- (ii) quality child care is important, and
- (iii) they don't want to - and cannot afford to - pay more for child care.

Importance of Base Rates and Payment of Actual Costs

The Guiding Principles for a Best Start Framework in the Models of Funding Child Care Services Report adopted by Council in June 2006 include:

- (i) all programs must be funded sufficiently to provide good quality child care;
- (ii) all staff will be paid fair wages on established wage scales that recognise training and experience; and
- (iii) if users must contribute toward the cost of care, the fees will be assessed on the basis of income rather than the actual cost of care or market price.

Children's Services has adhered to these principles through the distribution of wage improvement grants and through paying increases in operator costs to an average of 3% per year. Once again, Children's Services is proposing base funding rate adjustments be made to child care operators / service providers having a contract with the City. Increases to base funding rates are determined in accordance with the City budget guidelines. Increases average 2.8% and the total cost is estimated at \$5.5 million for 2007. Funding has been included in the 2007 approved budget.

Health and Safety

Each year the Children's Services Division reviews applications for health and safety/playground funding from child care operators against the available funding, Day Nurseries Act and Public Health requirements. Health and safety funds are provided to address urgent health and safety issues and support compliance with Canadian Safety Association playground standards. Although provincial funding is not available this report recommends \$1.0 million be paid to eligible programs.

Looking Forward - 2008 Service Levels Outlook

Changes to the funding of Best Start, as a result of the cancellation of federal/provincial agreements have had significant impact on the City's 2005-2009 Child Care Service Plan and Best Start Service and Transition Plan. The original plan was based on an expectation of \$125 million in additional funding and a growth of 6,000 new licensed and fee subsidy spaces. Most of the City's reduced Best Start funding of \$36.5 million has been used to fund 2,000 new child care fee subsidy spaces for a total of 23,844 subsidies, improve wages to child care workers and increase services to children with special needs.

Reduced funding and the impact of income testing are seen in the City's waiting list for child care fee subsidy. The waiting list is currently at 8,800 and growing, as more families are eligible but there are no more spaces available. The City needs both additional subsidies and more licensed spaces to address its child care needs.

The City's Best Start Infrastructure Plan proposed a two phased approach to the development of child care in communities with the highest levels of child poverty and the lowest level of access to child care. As a result of the cancellation of the Federal/Provincial agreement for Early Learning and Child Care (ELCC) only the first phase of the Best Start plan was completed. The City's Plan identified 57 proposed Best Start Phase II Capital Projects intended to provide 3,621 additional child care spaces at a capital cost of \$106.58 million. But when the funding was cancelled and the final year of funds spread over three years; the remaining funds were earmarked to support child care fee subsidy, special needs resourcing, program management, administration and planning and wage improvement, but not additional capital. Accordingly, Phase II of the Capital Plan was cancelled, with the exception of a very few high priority projects.

Although much was accomplished through the first phase of development, because of their limited size many of the new child care programs are vulnerable as the system experiences larger waiting lists for child care subsidy and reduced service levels. In addition to the issues already identified the lack of ongoing capital funding to address service expansion is a significant barrier to achieving service equity for some of Toronto's most vulnerable communities.

COMMENTS

The City's child care system is facing growing financial pressures due to inadequate provincial funding and reduced parent revenues from the introduction of income testing, that if not resolved will result in the loss of 3,500 child care fee subsidies by the end of 2008.

The current provincial funding for child care is not sufficient to maintain the service growth created under Best Start and as outlined in the approved Child Care Service Plan. The Children's Services approved 2007 budget relies on a draw of \$13 million from the Child Care Expansion Reserve to augment provincial shortfalls and to maintain service levels. The 2007 additional Best Start funding of \$6.8 million will be used to offset the expected reduction parent revenues from the introduction of income testing.

Provincial funding has not increased to reflect inflationary pressures on the base funding levels of the service. Annual inflationary increases for child care operators, including pay equity obligations, have averaged 3% each year, thereby creating an operating budget pressure each year of approximately \$8 million. Without sufficient provincial funds to support the impact of inflationary pressures on the base and the City has returned to a shortfall in 2007.

The base funding shortfall is expected to grow to over \$20 million in 2008 and combined with the impact of income testing will exhaust the funds remaining in the Child Care Expansion Reserve. Without additional funding it is expected that the Division will need to stop all admissions to subsidy beginning September 2008. The City needs stable and ongoing funding to sustain its child care system.

The 2007 Best Start Update to the Child Care Service Plan to be submitted to the Ministry of Children and Youth Services, outlines the funding pressures and the impact of inadequate funding on the City's child care system.

CONTACT

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SIGNATURE

Brenda Patterson, General Manager of Children's Services

ATTACHMENTS

Appendix 1 - Toronto 2007 Best Start Update to the Child Care Service Plan