

Adequacy of Child Care Funding and Service Levels

Date:	February 5, 2008
To:	Community Development and Recreation Committee
From:	General Manager, Children's Services
Wards:	All
Reference Number:	

SUMMARY

This report describes the current funding for child care services in Toronto and discusses the adequacy of both the funding and the current service levels.

RECOMMENDATIONS

It is recommended that the 2010 – 2015 Child Care Service Plan outline the annual service growth necessary to achieve equitable distribution of child care fee subsidies and licensed child care spaces by 2015.

FINANCIAL IMPACT

This report has no immediate financial impact.

DECISION HISTORY

City Council at its meeting of May 17, 18 and 19, 2005 considered a report dated April 11, 2005 from the Commissioner of Community and Neighbourhood Services 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, 27, 28 and 31, 2005; June 27, 28 and 29, 2006; July 25, 26 and 27, 2006; and July 16, 17, 18 and 19, 2007.

See

http://www.toronto.ca/children/pdf/beststart_serviceplan.pdf

http://www.toronto.ca/children/pdf/update_bs_funding_revservplan.pdf

http://www.toronto.ca/children/pdf/approval_serviceplanupdate.pdf

http://www.toronto.ca/children/pdf/bs_update_ccsplan_2007_inctest.pdf

<http://www.toronto.ca/legdocs/mmis/2007/ex/reports/2007-09-04-ex11-cr.pdf> EX11.10

Community Development and Recreation Committee at its meeting of January 14, 2007 requested the General Manager, Children's Services, to report on the adequacy of current child care service levels and funding.

ISSUE BACKGROUND

City Council at its meeting of May 17, 18, and 19, 2005 adopted the City of Toronto 2005-2009 Child Care Service Plan. The 2005-2009 Child Care Service Plan provided a comprehensive overview of child care service needs, gaps and issues facing the City's child care system. The Plan was based on the principles established by Council:

- 1) equity of service access;
- 2) publicly planned and accountable service outcomes;
- 3) service options consistent with informed parental choice;
- 4) first come-first served admission to subsidized child care;
- 5) recognition that child care service provide developmentally appropriate and beneficial early childhood education and care for children as well as important family and community support; and
- 6) recognition that services for children and families should be planned and delivered in an integrated way that promotes seamless service transitions.

The plan set four key directions summarized below:

- 1) improve quality of services;
- 2) develop a system of services for children;
- 3) improve access and equity of access; and
- 4) build public support for child care.

The 2005-2009 Child Care Service Plan was updated to incorporate proposed new funding under the Province's Best Start strategy. Using funds from the now cancelled Federal Early Learning and Child Care Agreement, the Province introduced its Best Start Strategy. Phased in over four years, the Best Start Strategy would have provided the City with an additional annual allocation of \$125 million by 2008. This funding, which would have represented a 41% increase in the funding to child care services, was earmarked through the City's Best Start Service and Transition Plan to support growth of licensed child care spaces, improve access to child care fee subsidies and maintain the existing child care system. The plan proposed growth of 5,885 fee subsidy spaces and the development of the same number of new licensed child care spaces. In addition, Best Start funding would have been used to maintain the existing system by supporting annual 3% increases to per diem rates beginning in 2006. An increase of \$14.7 million of Best Start funding was directed to increase wages of child care staff through a new Wage Improvement Program and funding to support children with special needs would have increased by \$7.5 million. The City's Plan was amended again in July 2006 to reflect the reduced funding for Best Start from the original \$125 million to the current allocation of \$59.7 million.

The 2008 Children's Services proposed operating budget, which includes the City's revised Best Start allocation of \$59.7 million, provides sufficient funding for 24,000 fee subsidy spaces. Although the City has been able to make modest increases in fee subsidy spaces under Best Start, much of the growth in spaces has been offset by the impact of inflation. In 2004, prior to the introduction of Best Start, the City was providing a total of 22,745 fee subsidy spaces although only 21,314 of these spaces were fully cost shared. In spite of increases to funding through Best Start, the City is only able to provide 24,000 fee subsidy spaces in 2008 and only 22,044 are fully cost shared. The remaining 1,956 fee subsidy spaces will be funded through reserve funds and funding available through Ontario Works. The number of child care subsidy spaces has been steadily eroding due to historical base shortfalls, the impact of annual inflation estimated at \$8 million per year and approximately \$15 million in reduced revenues due to the implementation of income testing. The Division has estimated that the current service level can only be sustained until 2010 when funding from the Child Care Expansion Reserve is exhausted when it is anticipated that 2,600 child care subsidy spaces would be lost.

COMMENTS

This report discusses the adequacy of child care fee subsidy service levels and outlines the adequacy of current funding for each option. The first model considers fee subsidy levels necessary to serve all children eligible for child care subsidy. The second model discusses fee subsidy levels from an equity perspective and the final model considers subsidy level increases using vacancy information. Finally, the report considers the adequacy of funding for other child care services funded by the City.

Adequacy of Child Care Fee Subsidy Level

Based on the 2006 Census, there are 268,575 children under 10 living in Toronto. Although income data from the 2006 Census is not yet available, the 2001 Census data suggest that 42 % or approximately 113,000 of the City's children live in families whose net income was under \$40,000, making their families eligible for full and partial child care subsidies. It should be noted that families with incomes over \$40,000 are also eligible for partial subsidies. With an estimated labour force participation of 70-79% of mothers, it is estimated that 79,000 to 89,000 full and partial child care subsidies would be needed to provide child care subsidy for all children living in families eligible for child care subsidy. The City only has sufficient funding for 24,000 child care subsidy spaces meeting only 27% to 30% of the need. In order to provide subsidies for 79,000 to 89,000 children living in families with incomes under \$40,000, the City would need an additional \$500 to \$600 million in operating funding. If the service increase were funded under current cost sharing arrangements, the City's 20% contribution would be \$100 to \$120 million.

In order to accommodate this level of child care demand and assuming that the child care system would continue to support both families in receipt of child care subsidy and families paying the full fee, the licensed child care capacity would need to double from the current 55,000 licensed group and home child care spaces to 110,000 licensed child

care spaces. If the system were to grow by 10 % per year, it would take 9 years to grow to 110,000 licensed child care spaces. Capital funding to renovate or construct the increased licensed capacity is estimated at \$1.1 billion without the cost of land. Assuming that increases in subsidies would be phased in as new child care was created, it would take up to 14 years to increase child care subsidies to the service levels noted in the previous paragraph.

Another model to determine adequacy of current service levels and funding uses the Council direction of geographic equity as a method to determine future increases. Subsidies are distributed by ward based on the percentage of children living in families under Low Income Cut Off (LICO). Although much progress has been made towards the distribution of subsidies based on equity there is still much work to be done. Currently the distribution of child care subsidies among wards varies from 20 % to 45 %. If every ward were to have sufficient subsidies to support 45 % of children living in families under LICO, the City would need an additional 15,600 subsidy spaces at a cost of \$156 million. In order to accommodate the increase in subsidies it would be necessary to increase licensed child care by at least the same number of spaces. Based on an assumption that the growth would be created through renovation and construction, the capital costs are estimated at \$312 million. Assuming growth of 10 % per year, it would take approximately 3 to 4 years to achieve the new licensed capacity and the increased subsidies would be phased in over a 5 to 6 year period.

The precipitous end of the Federal Provincial Agreement left the City with half of its Best Start growth completed. Because growth occurred in areas of the City with the highest levels of child poverty, many of the new centres are reliant on child care fee subsidy. Currently, the City is using all the fee subsidies available and the waiting list is over 11,000 children. In spite of the growing waiting list, the number of vacant child care spaces has increased, averaging between 700 to 1,000 spaces higher than traditional vacancy levels. Many families on the waiting list could place their children in centres with vacancies if the number of subsidies were to increase. Increasing the number of subsidies increase by 1,000 would be sufficient to bring the vacancy level down to the traditional level. This option would cost an additional \$10 million.

Adequacy of Other Child Care Funding

In addition to fee subsidies, the City provides funding for family resource centres, wage subsidy and special needs resourcing. Wage Subsidy is a program that increases the salaries of staff working in child care. Current wage subsidy funding is only sufficient to meet 60 per cent of the wage subsidy entitlements. It is estimated that an additional \$26 million in funding would be necessary to fund full wage subsidy entitlements. Under Best Start, the Province introduced the Wage Improvement Program to increase the average wage for child care practitioners. The City currently receives \$8.4 million in Wage Improvement funding, leaving a gap of over \$6 million from the original Best Start allocation of \$14.7 million. Funding to support children with special needs was to have doubled under the Best Start Plan. The City was only able to provide an additional \$2.5 million towards this goal, leaving a gap of \$5 million at the current service levels. Due

to the introduction of Ontario Early Years Centres and Family Literacy Centres by the Province, the adequacy of funding for family resource centres is difficult to estimate and therefore this report does not comment on parent/caregiver supports.

Assessing the adequacy of current child care funding and service levels is a complex task. However, it is clear that the system is not adequately funded to meet the current service levels or achieve the improvements outlined in the City's Child Care Service Plan or Best Start Plan. This report proposes that the next Child Care Service Plan identify the annual service growth necessary to ensure equity. The Service Plan is the basis on which the City negotiates child care funding with the Province.

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SIGNATURE

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