

## **Additional Funding for Child Care and Ongoing Funding Pressures**

<b>Date:</b>	October 2, 2008
<b>To:</b>	Community Development and Recreation Committee
<b>From:</b>	General Manager, Children's Services
<b>Wards:</b>	All
<b>Reference Number:</b>	

### **SUMMARY**

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This report seeks approval to amend the Children's Services 2008 Approved Operating Budget to reflect additional Best Start funding. Details of additional funding were provided by Minister Matthews, Minister of Children and Youth Services (MCYS), in a letter to Mayor Miller dated July 25, 2008 and announced publicly on July 9, 2008. This announcement includes an allocation of \$6.002 M for additional fee subsidies and French-language child care funding.

The report also reports on the funding issues facing the child care system as directed by Council.

### **RECOMMENDATIONS**

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The General Manager recommends that:

- 1) the Children's Services 2008 Approved Operating Budget be amended to include an additional \$6.002 million in revenues received as Toronto's share of a provincial \$25 million child care investment for additional fee subsidies and French-language child care spaces; and these revenues be offset by a reduction in the 2008 budgeted withdrawal from the child Care Expansion Reserve Fund (CCERF) of \$6.002 million.

### **FINANCIAL IMPACT**

Prior to this funding announcement, Children's Services 2008 Approved Operating Budget included a draw from the Child Care Expansion Reserve Fund (CCERF) of \$8.7 million to maintain the Council approved service levels including 24,000 subsidy spaces. It is recommended that the additional provincial funding of \$6.002 million be used to

offset the 2008 budgeted reserve draw, reducing the 2008 budgeted draw from the CCERF from \$8.720 million to \$2.718 million.

After making the recommended adjustment to the CCERF, the projected year-end balance in the CCERF will be \$40.620 million. Based on current service levels, it is expected that the reserve fund will be exhausted in 2011.

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>

Amendments to the Plan were approved at Council meetings of June 27, 28, and 29, 2006 based on updated provincial funding commitments for Best Start for 2006 and principles for a revised Child Care Service plan, including Principles for Determination of Annual Inflation Based Adjustments. See Update on Best Start Funding and Principles for a Revised Service Plan,

[http://www.toronto.ca/children/pdf/update\\_bsfunding\\_revservplan.pdf](http://www.toronto.ca/children/pdf/update_bsfunding_revservplan.pdf)

Council at its meeting of July 25, 26 and 27, 2006 approved the Child Care Service Plan Update. See

<http://www.toronto.ca/legdocs/2006/agengas/council/cc060725/pof6rpt/c1030.pdf>

## **ISSUE BACKGROUND**

The provincial government in its 2007 budget announced enhanced funding for current child care programs by \$25 million in 2007/08 and by an additional \$25 million in 2008/09, for a total increase of \$50 million annually.

The July announcement by the Minister is the 2008/09 commitment related to that announcement. Of the additional \$25 million for Ontario for 2008/09, \$23 million is being invested to provide more fee subsidies for licensed child care, and \$2 million is to support new francophone child care spaces in schools. Toronto's allocation is \$6.002 M.

These provincial funds were flowed from the Federal government after there was no take up for the federal Child Care Spaces Initiative by employers. The \$250M was flowed to

the provinces in 2007; and thereafter rolled into the Canada Social Transfer (CST).

### Funding Issues Facing the Child Care System

When the Federal government cancelled the federal/provincial agreements on early Learning and Child Care (ELCC) effective March 2007, the government of Ontario amended its Best Start program by dividing the 2007 final payment over the subsequent three years - 2007/08, 2008/09 and 2009/10 to reflect the reduced funding from the original \$125 M to the current allocation of \$59.7 M.

The City responded by cancelling its plans for Best Start Phase II capital development and establishing the Child Care Expansion Reserve Fund to support the current Council approved level of service. This approved level of service includes both maintaining 24,000 subsidized child care spaces, as well as funding the actual operating costs of programs essential to the delivery of quality child care. The Child Care Expansion reserve has been used to provide funding to support annual inflation based adjustments that were \$5M for 2006, \$5.3M for 2007, and \$5.8 M for 2008.

With the additional provincial funding of \$6.002 million just announced, this will be used to offset the 2008 budgeted reserve draw so that \$2.718 million will be needed for 2008 instead of \$8.720 million. Based on the current service levels, the reserve will be exhausted by 2011. Supporting annual inflation on the base to maintain quality child care creates a pressure that is cumulative. Additionally, the provincial government has not yet announced its intentions for Best Start beyond the current commitment. As well, the Premier of Ontario announced the government's intention to introduce full-day learning for four and five year olds and asked Charles Pascal to provide the government with advice on how to proceed. It is anticipated that Mr. Pascal will be reporting to the government in spring 2009. The Children's Services Division, through its 2010 – 2014 Service Plan will be proposing strategies to address these funding challenges.

A further unintended pressure on the system was created with the January 2007 introduction of income testing for eligibility for child care fee subsidy. While the City supported income testing because it improved access to child care subsidies, an unintended consequence was loss of revenue to the City from parent fees. Under the new income test, many parents currently in receipt of child care subsidy pay no fee. As a result, the City's revenue loss is \$10 million.

In addition, more clients are eligible for child care subsidy, which is driving up the wait list. The wait list is currently at 14,538 (as of 28/09/08) which is almost double that of last year, and growing. The median length of time that half of clients currently in care waited on the wait list was 15 months.

The Association of Municipalities of Ontario (AMO), the City of Toronto, the Ontario Municipal Services Association (OMSSA) and the Ministry of Children and Youth Services have been analyzing the impact on municipalities resulting from the implementation of income testing as the new model for determining eligibility for child

care fee subsidy. In April 2008 Minister Matthews wrote to the Mayor and the President of the Association of Municipalities of Ontario (AMO) saying "these recommendations will be considered as we develop strategies to mitigate pressures in Ontario's childcare system". The municipal representatives on the working group have recommended that that there be increased provincial funding to municipalities to address the reductions in parent revenues created by the income test.

## **COMMENTS**

The recent provincial child care funding announcement for fee subsidies and French language child care spaces will be applied to offset the draw from the CCERF required to maintain the current Council approved service levels.

The Federal government cancellation of the federal provincial Early Learning and Child Care agreement in 2007 resulted in reduced funding of the provincial Best Start initiative, and amendments to the City's 2005-2009 Service Plan. Notably, the City established the Child Care Expansion Reserve Fund to maintain the Council approved level of service of 24,000 subsidized child care spaces, as well as fund the actual operating costs of programs essential to the delivery of quality child care by drawing from the Child Care Expansion Reserve. However, that reserve will be depleted by 2011.

The base inflationary pressures, along with the lack of certainty of the Best Start funding beyond 2010, and the anticipated provincial full-day learning initiative for 4 and 5 year olds are issues the Children's Services Division will be addressing through the 2010 – 2014 Service Plan. There will be a report to the November Community Development and Recreation Committee respecting the Service Plan.

An additional unintended pressure has been the introduction of the income test resulting in a \$10 million revenue loss to the City. AMO and City of Toronto representatives on an AMO, City of Toronto and Ministry of Children and Youth Services Working Group are recommending the provincial government fund municipalities to address reductions in parent revenues created by the income test.

## **CONTACT**

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## **SIGNATURE**

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