



STAFF REPORT ACTION REQUIRED

Implementing Early Learning: Status Report

Date:	June 11, 2010
To:	Community Development & Recreation Committee
From:	General Manager, Children's Services
Wards:	All
Reference Number:	

SUMMARY

This report summarizes the implementation status of the Province's Early Learning Program (ELP) for 4- and 5-year-olds, outlines the impact of this program on Toronto Children's Services and the child care sector and clarifies those actions and resources needed to mitigate these impacts. The report updates Council on the ongoing funding pressures impacting Children's Services in Toronto and seeks Council approval of changes to the Children's Services 2010 Operating Budget to reflect new funds received from the Province of Ontario.

RECOMMENDATIONS

The General Manager, Children's Services recommends that:

- 1) Council request that at the newly established Toronto/Ontario table, discussions include the following objectives:
 - negotiating a transition agreement that ensures creation of a sustainable and integrated Early Learning Program in Toronto that reflects the size and complexity of the city's child care system;
 - exploring more flexible funding models, including base funding, to address the affordability of child care to all families;

- developing new monitoring and reporting mechanisms that satisfy accountability and governance requirements, provide meaningful data to inform policy, and respect the City's role as consolidated municipal systems manager for children from pre-natal to 12 years of age; and
 - identifying strategies to address base funding pressures that increase by \$8 million per annum and will total \$35 million by 2012, resulting in service cuts of 3,500 subsidized spaces if not addressed.
- 2) Council request that the Province provide an additional \$27 million in base funding to address the affordability of child care for all families and \$13.5 million in capital funding to mitigate renovation costs in child care centres located outside of schools, with the timing of the provision of these funds to be addressed in the transition agreement identified in recommendation 1.
 - 3) When a provincial framework is available for the development of Child and Family Centres (CFC), Children's Services revise transitional and capital requirements, if needed, to ensure that CFC's in the community and in schools and their corresponding child care are sustainable, accessible and of high quality.
 - 4) Council request that the Province take the necessary steps to ensure continuity of services for all children by ensuring that for each new subsidy dedicated to ELP the Province provide a corresponding new subsidy for school age.
 - 5) Council approve an adjustment to the 2010 Approved Operating Budget for Children's Services to include an additional \$7.954 million in Provincial revenues for child care to replace the reduction in Best Start funding, and these revenues be offset by an equivalent reduction in the 2010 budgeted withdrawal from the Child Care Expansion Reserve Fund (CCERF).
 - 6) Council approve an adjustment to the 2010 Operating Budget for Children's Services, the Child Care Expansion Reserve Fund, and the Child Care Capital Reserve Fund to reflect the receipt of an additional \$0.971 million in provincial revenue to expedite the transition to early learning phase 1, as follows:
 - increase the provincial budgeted revenues by \$0.787 million with a corresponding decrease in the 2010 budgeted draw from the Child Care Expansion Reserve Fund; and
 - contribute the \$0.184 million received from the province in 2010 as a contribution to the Child Care Capital Reserve Fund to be used to assist child care operators to reconfigure their infrastructure in order to accommodate younger children, once sufficient resources are available.
 - 7) Council provide authority to increase the 2010 Operating Budget for Children's Services by \$0.050 million gross \$0 net with funding from the Province to expedite the necessary information technology changes related to ELP.

- 8) Council provide authority to Toronto Children's Services to apply both the Council approved budget guidelines and where necessary, the guidelines from the regulations under the Education Act, to establish per diems for the extended day program with school boards.
- 9) The General Manager, Toronto Children's Services report to Council by July 2011 on actions outlined in the Recommendations in this report and on the strategies that will be implemented to reduce service levels should base funding requirements not be addressed by the Province.
- 10) The City forward this report to the Premier of Ontario and the Ministers of Children and Youth Services and Education to ensure that they are informed about the transitional and fiscal requirements of the City of Toronto with respect to ELP.

FINANCIAL IMPACT

The 2010 Ontario Provincial Budget announced the replacement of Best Start funding which was to expire March 2010 as a result of cancellation of the Federal government's National Child Care Program in 2006. The City's share of this funding is \$7.954 million for 2010; with an annualized impact of \$15.390 million. The receipt of these funds reduces the draw from the Child Care Expansion Reserve Fund in 2010 extending the duration of the reserve fund to early 2012, with a 2012 year-end projected shortfall of \$35 million. Thus, the shortfall will result in the withdrawal of 3,500 subsidized spaces by 2012.

The Province has announced \$0.9717 million in transition funding for phase 1 of the Early Learning Program implementation in Toronto. It is recommended that the 2010 budgeted provincial revenues be increased by \$0.787 million (the stabilization portion) and offset by an equivalent reduction in the 2010 budgeted draw from the Child Care Expansion Reserve Fund; and the \$0.184 million (the capital portion) be contributed to the Child Care Capital Reserve Fund for use in future budget years to reconfigure existing child care centres, once sufficient resources are available.

The implementation of the Early Learning Program will require significant information technology (IT) changes that could not have been anticipated at the time of the preparation of the 2010 operating budget. It is recommended that the 2010 Operating Budget for Children's Services be increased by \$0.050 million gross \$0 net to reconfigure IT with the additional funding from the Province.

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

EQUITY IMPACT

Equity is a guiding principle of Toronto's 2010-2014 Child Care Service Plan. The principles of the service plan, together with a provincial framework and community consultation will guide the transition to ELP. They include service access based on age and geographic equity in the allocation of subsidies, and recognition that child care services provide developmentally appropriate, beneficial care for children, including those with special needs.

The ELP is being implemented by the Province to strengthen education in Ontario. Toronto supports an integrated approach to early learning and care that provides increased access to learning opportunities that are essential for optimal human development and responds to and supports the whole family. The City's role in subsidy management will ensure equitable access to extended day programs, allowing parents to participate more fully in the workforce. In the re-balancing of the child care system following the implementation of ELP, Toronto Children's Services (TCS) will ensure service access based on equity. A publicly funded early learning program, supported by a strong child care sector, has obvious benefits on child outcomes and responds well to the City's poverty reduction strategies.

DECISION HISTORY

Council at its meeting of January 26 and 27, 2010, approved a staff report on the Implementation of Early Learning Program and Toronto's Child care Funding Risks and Pressures.

http://www.toronto.ca/children/report/councilreport_27jan2010.htm

Council at its meeting of May 11 and 12, 2010 approved the 2010-2014 Child Care Service Plan.

http://www.toronto.ca/children/report/councilreport_12may2010.htm

ISSUE BACKGROUND

System Overview

The City of Toronto manages the largest child care system in Ontario and the second largest system in Canada, outside of Quebec.

The challenges and pressures impacting this system are unique as a result of Toronto's population and demographics. In Toronto, 32.3% of children under the age of six are living below the Low Income Cut-Off (LICO) (Statistics Canada 2006 Census data). The comparable rate for this age group across Ontario and Canada is much lower at 19.3%. Toronto is home to 42% of the GTA's children aged 0-5 years, yet 60% of the GTA's low-income children live in the city. These statistics necessitate a unique and different approach to addressing programs for children and families in Toronto.

Toronto's 949 licensed child care centres and 20 home child care agencies serve approximately 56,600 children from 0 to 12 years old. Of these children, 24,000 receive a fee subsidy, with an additional 17,573 children on the waitlist. There are 52,000 children who are 4 and 5 years old living in Toronto and approximately 15,000 of those children attend licensed child care. Of the 4 and 5 year olds in child care, 6,000 have a fee subsidy. (Appendix A)

With a total subsidy budget of \$274 million in Toronto, \$63 million is invested in subsidies for 4-and 5-year-olds. The average annual fee for a preschool child care space (including 4-and 5-year-olds) is \$10,440 per year, while the cost of an infant space is \$18,270. On average, the daily public fee charged for child care is \$70 for infants, \$56 for toddlers, \$40 for preschoolers and \$28 for school age.

The City currently has base funding pressures which result from government investment not being adjusted on an annual basis to reflect the actual cost of service delivery. These costs accumulate at approximately \$8 million per year and will total \$35 million in 2012. The Early Learning Program will further exasperate these pressures. Without an influx of approximately \$35 million by 2012, the number of subsidized spaces must be reduced by 3,500 beginning in the fall of 2011.

Council's Position on Early Learning

Council approved a report on the implementation of the Early Learning Program and Toronto's Child Care Funding Risks and Pressures in January 2010. In doing so, Council supported the full vision (direction and scope) of the Charles Pascal Report, *With Our Best Future in Mind: Implementing Early Learning in Ontario*. This report articulates a strong municipal responsibility for system planning, system management and governance through an accountability framework with the province for services for families and children from prenatal to 12 years of age.

Council requested that the Province confirm support for the full Pascal vision and provide all of the necessary tools and resources required to support an effective transition to the Early Learning Program (ELP) that ensures a sustainable child care sector during and following the transition process. In this respect, Council asked the Province to ensure that its funding formula provides sufficient resources and flexibility to maintain the existing service level.

Recognizing that the actual cost of service represents a cumulative annual pressure of approximately \$8 million, Council directed City staff to develop contingency plans for a service level reduction of 2,000 subsidies by 2011 and 3,000 by 2012 should additional resources not be announced as part of the Province's March 2010 budget. These plans would be based on client attrition and respect the principles of the Child Care Service Plan.

Finally, Council requested that the General Manager, Children's Services report back mid-year on the implementation of ELP and strategies for addressing fiscal challenges. This report responds to Council's directive.

Provincial Status of the Early Learning Program

On April 27, 2010 the Province announced the passage of Bill 242, the *Full-Day Learning Statute Law Amendment Act, 2010* allowing, among other things, the transfer of child care from Ministry of Children and Youth Services (MCYS) to the Ministry of Education (EDU). Child care stabilization and capital funding was announced to assist the child care sector during the implementation of ELP. The announcement also indicated that Dr. Pascal will work with MCYS to advance the vision of an integrated network of Child and Family Centres (CFC). These centres will support the integration of services that provide supports for parents of children under 4 years of age by allowing seamless and coordinated access to programs and services.

Bill 242 provides the legal framework governing the Province's full-day learning initiative by amending the *Education Act* to mandate that all school boards offer full-day learning for 4-and 5-year-olds, including integrated before-and after-school programs. On June 8, the government introduced regulations that, among other things, allow third-party providers currently providing programs in schools to continue to offer before-and after-school programs for 4-and 5-years-olds for the 2010-2011 and 2011-2012 school years. After this transitional period, Boards will be required to operate the extended day portion of ELP. The amendments permit school boards to enter into agreements with third-party providers to provide care and before-and after-school programs for children ages six to twelve years and to permit third parties to operate programs for children of all ages on professional development days and holidays.

The transfer of child care from MCYS to EDU will take place in phases, starting with policy and program responsibilities moving immediately, followed by funding and contract management responsibilities in the fall, 2010. Licensing may transfer at a later date.

Stabilization funding will be phased in over 5 years to a total of \$51 million annually for Ontario. These funds are to be invested in fee subsidies for children aged 0 to 3.8 and in stabilizing the child care sector as 4-and 5-year-olds move into the full-day learning program. The City share of these resources, based on previous allocations, is expected to be \$11.73 million at full implementation.

In addition, a commitment of \$12 million in new capital funding for Ontario will be allocated over five years to fund the retrofit and renovation of non-profit centres to enable them to serve younger children. The City's share of these resources, based on previous allocations, is expected to be \$2.8 million over 5 years.

Although not confirmed, discussions at the Province's media conference indicated that an investment of \$19 million in new subsidies for 4-and 5-year-olds in Ontario is likely to be forthcoming. Toronto Children's Services (TCS) awaits a formal announcement from the Province to clarify terms of this investment. In addition, a portion of funds currently invested by the Province in child care subsidies for 4-and 5-year-olds (\$119 million across Ontario) will be redirected (a) to provide subsidies for 4-and 5-year-olds in ELP for the full year, not just for instructional days, and (b) to augment subsidies available to children aged 0 to 3.8 years in licensed child care, should the full amount not be required for ELP extended day participants. As the service system manager, TCS would administer Toronto's share of fee subsidies for extended day.

Toronto's total allocation of transitional resources for Year 1 of ELP, the 2010-2011 school year, is \$971,700 which includes \$786,900 for new subsidies and sustainability for children aged 0-3.8 and \$184,800 in capital to assist with renovation costs to reconfigure existing child care centres to support younger children. As outlined in this report, this amount falls substantially short of Toronto's estimated need. Following the Provincial announcement, the Mayor wrote to the Premier requesting a negotiated Toronto/Ontario Transition Agreement that recognizes the size and complexity of Toronto's child care system and that is based on overall system requirements and community need.

Toronto's Support of the ELP Initiative

TCS continues to support the implementation of ELP and advance the service re-engineering required to create an integrated early learning system of services. An integrated approach to early learning and care provides increased access to learning opportunities that are essential for optimal human development and support the needs of the whole family.

TCS continues to work with and advise Provincial and Boards of Education officials on the transition to a new early learning system. Staff participates in the Provincial Early Learning Implementation Advisory Committee and its working groups on Special Needs, Fee Subsidies, and the Extended Day Program. In addition, TCS works closely with the Boards of Education to review potential ELP sites, to ensure that extended day rates are reasonable and affordable, to clarify the subsidy system, and to identify implementation issues. Extended day is a cost recovery program requiring boards to confirm costs and rates in advance of the school year. TCS is reviewing and benchmarking proposed board rates to assess affordability.

Current Status of ELP Implementation

Full day early learning will be phased in over five years, starting September 2010. Phase 1 represents 15% of projected kindergarten enrolment and impacts 101 schools in Toronto, with 71 offered at the Toronto District School Board, 28 at the Toronto Catholic District School Board, and 2 at the French Public School Board. Boards have identified phase 2 schools based on 5% of projected enrolment, with confirmation of schools by the Province expected mid June.

ELP children will benefit from a publicly funded full day of learning with a blended staff model that includes both a certified teacher and a registered early childhood educator. Boards are mandated to provide extended, before-and after-school programs where there is sufficient parent demand and board capacity. Although boards have the option of providing an extended program on non instructional days, such as professional development days, school breaks and summer holidays, at this time the Toronto boards have opted to provide before-and after-school care for the 188 instructional days only. Individual schools have surveyed families to determine interest in the extended program for September and have found the take-up rate to be lower than anticipated. There are a number of factors contributing to the low interest, including uncertainty regarding a new initiative, the limited number of days the program is offered and the fact that boards, prior to Provincial regulation released on June 8, 2010, were unable to commit to the extended day program rates. In contrast enrolment in the 9 to 3 portion of the full day program has exceeded expectations. It is anticipated that interest in the extended day component will increase incrementally through each phase of implementation. TCS does not expect a substantial impact on the child care system until Phase 3 of implementation, when legislation mandates that all school boards provide the extended day portion of the program, no longer offering the ability to contract the service out to third parties.

The French language community in Toronto has its own unique challenges with implementation of ELP. The community is small, with only 16 licensed child care centres and a total of 1,035 spaces. Of the 16 programs, 7 offer toddler care with a total 85 spaces. In all of Toronto, two programs offer care for a total of 16 infant spaces. The majority of French-language child care programs are in schools and all but one school has a child care operating in it. The lack of available space and capital funding makes it difficult to expand to add infant or toddler programs in these locations. In Phase 1, the French Public Board has identified 2 schools in Toronto as early learning school sites for implementation in September 2010. In Phase 2, the French Catholic Board has identified 2 school sites to be operational in September 2011.

DISCUSSION

Fiscal Pressures

The 2010 Ontario Provincial Budget presented March 25, 2010, announced a provincial annual investment of \$63.5 million to replace Best Start funding which would have expired in 2010 as a result of cancellation of the National Child Care Program by the Federal Government in 2006. The City's share of this investment is \$15,389,875 annually. This will allow TCS to protect 1,500 child care subsidies that were previously funded through the Best Start program.

The City continues to have a base funding pressure that will result in a loss of 3,500 subsidized child care spaces effective January 1, 2012. Included in the reduction of 3,500 spaces is a proportional share of spaces for 4-and 5-year-olds. If an adequate funding solution cannot be found, reduction of spaces will occur through attrition beginning in September 2011. This threat to service levels will be further exasperated if ELP implementation is not effectively managed and resourced. Agreement has been reached to develop a Toronto-Ontario table, co-chaired by the Deputy Minister of Education and the Deputy City Manager of Cluster A, to expedite ELP implementation. Among other things, the table should consider strategies for addressing ongoing annual fiscal pressure of \$8 million.

While the Provincial annual investment of \$15,389,875 million replacing Best Start funding does not eliminate TCS base funding pressures, it does mean that the City can maintain service levels in 2010. City and Provincial officials now have until the fall of 2011 to address this issue. Part of this strategy must be to encourage the Federal Government to reinstate the National Child Care Plan.

Process of Analysis of ELP Implementation

To properly understand and mitigate the impact of the ELP on Toronto's child care system, staff engaged in a multi-faceted and extensive process of analysis. Initially, at the request of the Province, comprehensive space surveys and financial analysis were undertaken to determine the financial viability of those centres impacted in phase 1. Service Plan principles of age and geographic equity were considered in the analysis.

Upon completion of this analysis, it became clear that to determine the quantum of transitional resources required and to strategically and effectively invest these resources, the City must examine the system through a five year lens. In order to make informed decisions, TCS needs a clear picture of what the system will look like at ELP's full implementation, when it is assumed all the 4-and 5-year-olds will be part of the education system as opposed to the child care system. Phase 1 data was used to inform this analysis.

Phase 1 analysis began with mapping the 101 schools implementing ELP in September 2010. Using a 1 km radius around each school, TCS was able to identify child care centres that were potentially affected. TCS then identified those centres located in ELP schools or those that escorted 4-and 5-year-olds to ELP schools. Staff met with these operators, identified and collected information that would assist in identifying the potential financial impact of 4-and 5-year-olds leaving their programs and opportunities for programs to reconfigure for younger children. Similar processes of mapping and information gathering were conducted for home child care, family resource programs, and special needs resourcing.

To assess what the system will look like in Year 5, the following assumptions were made:

- 1) Early learning planning must address the needs of children aged 0 to 12 years and be led by the City as Consolidated Municipal Service System Manager (CMSSM).
- 2) All eligible junior and senior kindergarten children (JK/SK) will enroll in the ELP.
- 3) All 4- and 5-year-olds will leave the child care system within 5 years, when the ELP program is expected to be fully implemented. The early learning and care needs of these children will become the responsibility of the boards of education.
- 4) All other age groups, including 6 to 12 year olds, will remain as part of the child care system.
- 5) During the transition, child care centres that operate before and after school programs will receive part time per diem rates for those children that are subsidized.
- 6) Subsidies will be seamless and follow the child.
- 7) Subsidies for 4-and 5-year-olds will be 100% Provincial dollars.
- 8) All child care funding currently in Toronto will remain in Toronto.
- 9) Capital investment will occur in the not for profit and public sector in accordance with the Council approved Service Plan for Children's Services.

Analyzing the Impacts of ELP

Moving towards a fully integrated early learning system with a publicly funded full day program for 4-and 5-year-olds has many challenges. In a City the size of Toronto, these challenges are magnified as nearly 50% of child care centres with a contract for fee subsidy are located in schools. Phase 1 includes a limited number of child care centres located in schools as school boards were asked to choose sites that did not have child care. This will not be the case in subsequent years of implementation. Addressing issues impacting child care operators in schools requires clarification from the Province regarding the policies governing CFCs and the resources to be made available to support CFC development and on-going operation.

While TCS has completed a comprehensive analysis of the impact of ELP on the child care system, it is preliminary and will require updating as additional detail on policy and implementation matters are made available by the Province and boards of education. Analysis will continue as ELP advances.

Results to date will guide the City in determining actions and investments required to ensure that the child care system in Toronto is stable and sustainable in five years. Findings have been used to identify the magnitude of operating/stabilization and capital resources required over the transition period. These findings begin to identify where the limited resources can be strategically invested to ensure equitable access to child care in Toronto and to highlight those areas that may require one-time transitional investment.

Historically, child care fees for infant spaces have been cross subsidized by fees for older age groups. With the removal of 4-and 5-year-old children from licensed child care (25% of the child care system), there will be a significant increase to fees for the remainder of the child care system. This impact, if not funded through a base funding model that reduces overall system costs, will result in one of the following:

- a direct increase in fees for infant spaces of 30%, if actual costs of infant spaces are applied without cross subsidization from other age groups, resulting in annual fees of approximately \$24,000, up from on average \$18,270; or
- 10% fee increase across all age groups remaining within the child care system.

Neither of these options is sustainable. Higher per diems limit the number of subsidies available to eligible families and makes child care unaffordable for many full fee families who are not eligible for subsidy. The recommended resolution to this pressure is an updated and more flexible funding formula that includes base funding to ensure affordability for all families. It is recommended that the Toronto/Ontario table explore this recommended direction.

In home child care, the impact on providers is significant and complex due to their financial loss as independent contractors and limits under the Day Nurseries Act (DNA) that govern the number of children in each age group a provider can serve. 18% of the children cared for in the home child care sector are 4-and 5-year-olds. Out of the 930 providers, 360 care for 4-and 5-year-old children. These providers, at full implementation, will experience a total annual income loss of \$3.1 million or \$8,000 per provider.

Three areas of funding must be addressed if the impact of ELP at full implementation is to be mitigated: operating/stabilization funding, capital funding and transitional funding.

SUMMARY OF CITY'S FUNDING REQUIREMENTS

Funding	Projected Requirements
Operating/stabilization funding	\$27 million base funding at 5 years
Capital funding	\$13.5 million over 5 years
Transitional funding	To be determined

Operating/Stabilization Funding

Operating/stabilization is funding needed to ensure the Toronto's child care system continues to deliver high quality and affordable child care for 0-4 and 6-12 year olds.

Currently, Children's Services operates a child care system that supports 24,000 subsidies for children 0 to 12 years at an annual cost of \$274 million. Toronto has assumed that its share of the \$119 million that the Province has earmarked in the existing subsidy system to provide subsidies for children in the extended day program will be \$27.4 million. In addition there is the additional \$19 million discussed at the Province's media conference, for new subsidies for the extended day program, of which Toronto's anticipated share is \$4.3 million. Clarity is required from the Province as to whether additional, new subsidies for 4-and 5-year-olds, beyond this \$19 million, will be provided.

With the information known at the time of this analysis, it is assumed that \$31.7 million will be available for subsidies for those in the ELP extended day program. The cost in Toronto to maintain the current number of subsidies for 4-and 5-year-olds at full implementation for the extended day program year round is an estimated \$54.8 million. The newly released Ontario Regulations and guidelines for the Extended Day Program have not been considered in the above analysis and could increase the cost.

The following chart illustrates what TCS currently funds and what it will have the capacity to fund at full implementation of ELP. It takes into account all new and redirected funding announcements and addresses all children, 0 – 12 years old.

System Overview at Full Implementation

Subsidy Spaces and Funding Children 0 to 12 years

	Excluding Reserve Funded			Reserve Funded			Total		
	2010	2015	Change	2010	2015	Change	2010	2015	Change
number of subsidy spaces	23,054	22,739	(315)	946	-	(946)	24,000	22,739	(1,261)
\$ Millions	263.2	279.3	16.1	10.8	-	(10.8)	274.0	279.3	5.3

Notes:

\$19 Million Ontario new subsidies (\$4.4 million for Toronto) announced by the Province are assumed to be ongoing.

These numbers do not consider the anticipated shortfall resulting from the depletion of the Child Care Expansion Reserve Fund. The loss of 3,500 spaces in 2012 is still being projected.

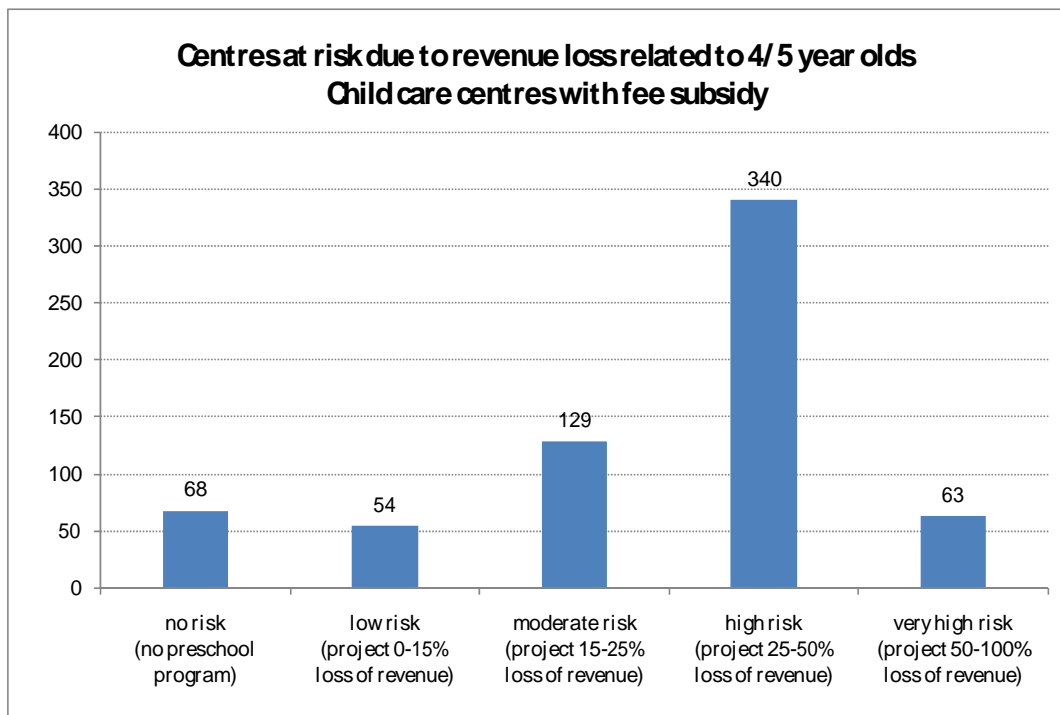
The implementation of ELP will result in a \$6.2 million saving in Wage Subsidy related to 4/5 year olds that will support costs of other age groups.

The cost of maintaining the 24,000 spaces in 2015 would be \$294.8 million. This includes \$4.7 million of pressure related to impacts of ELP which remain unfunded. No new spaces will be provided.

The analysis does not include the impact of inflation on the cost of spaces.

In Toronto, spaces for 4-and 5-year-olds, represent more than 26.5% of the child care system. With the significant loss of children to ELP and the corresponding revenue reduction in child care centres, there will be operating inefficiencies. TCS recognizes that not all child care centres will continue to operate once ELP is fully implemented. As the service system manager, TCS will develop a fulsome plan to sustain a high quality child care system. Factors that will impact centres at risk include ongoing base funding pressures, ward equity levels, and ability to reconfigure. TCS has determined that ELP implementation could puts the financial viability of approximately 400 centres at risk.

The following chart illustrates the projected loss of revenue at child care centres when the revenue from 4-and 5-year-olds is removed.



Of the stabilization funding announced by the Province for Phase 1 of ELP, Toronto will receive \$786,900. This provides little relief to a system already drawing significantly from reserves. Subsidies alone cannot stabilize the child care sector as they only address one part of the system. The system needs to provide high quality child care options to both full fee and subsidized families. A system that focuses only on the subsidized system is at risk of further destabilization as full fee families are no longer able to afford licensed care and access to child care for subsidized families becomes limited. The most effective way to address the funding pressure created by the loss of 4-and 5-year-olds leaving the system is to update the current funding model to include base funding, while continuing to provide fee subsidies to families in need.

TCS analysis estimates that by year five, \$27 million in base funding will be required to stabilize Toronto's child care system. The province has allocated \$51 million in subsidies and stabilization to support children 0 to 3.8. Toronto's share is estimated to be \$11.73

million. With the reallocation of wage subsidies currently supporting 4-and 5-year-olds within the child care system, there will be an additional \$6.2 million available for reinvestment, for a total of \$17.9 million. Combined, these funds continue to leave the City with a shortfall of \$9.1 million.

Toronto Children's Services has always championed the need for a base funding model that would increase accessibility to child care by reducing overall system costs and making fees more affordable to parents who do not qualify for subsidy. This model increases access to families in receipt of a fee subsidy by keeping per diems per family at a manageable level. The base funding model proposes that fixed costs inherent to child care operators be removed from per diems, lowering the fees to parents. Fee subsidies would still be required as some families will always need financial support to assist with the cost of child care. The City needs flexibility to develop funding formulas that ensure child care is affordable and accessible to all families.

One example of base funding that exists is the funding formula for wage grants. Wage grants provide operators with some relief in the payment of staff salaries. These are determined through a formula based on operating capacity and staff hours. The funding has a ceiling per staff position. The overall funding for these grants is insufficient and does not meet the needs of the child care system in Toronto. As a result, not all centres have access to these resources.

It is recommended that funding streams be consolidated and that the Province work with the City to develop new monitoring and reporting mechanisms that address accountability and provide for meaningful data to inform policy. A flexible funding model will assist Toronto, as the service system manager, in effectively managing Toronto's child care system in a manner that supports and respects both the child care system and ELP.

Capital Funding

A significant investment is needed for child care centres to convert rooms currently used for 4-and 5-year-olds to rooms for younger children over the 5 years of ELP implementation. Without appropriate funding to support these changes, child care centres will need to either carry the costs of vacant spaces, which further increases the costs of fees for parents, or close. While TCS recognize that some programs may close, the Division plans to invest operating and capital resources in a manner that respects the principles of the service plan and ensures a stable and sustainable child care sector.

Capital funding needs were estimated based on the centres impacted by phase 1 of ELP that have the physical capacity to reconfigure to provide service to younger age groups. An order of magnitude cost for reconfiguration was determined based on site visits, cost analysis in a sampling of centres with a diversity of physical plants, and recommendations put forward by a Quantity Surveyor. These findings were then prorated across the licensed child care sector.

TCS analysis indicate that the City will require approximately \$13.5 million in capital funding to address the physical plant requirements of child care centres over the full five years of ELP implementation. This estimate does not include the capital investments needed by child care centres located in schools. When child care centres located in schools are included, this amount increases to \$30 million over the next 5 years.

The Province announced \$12 million dollars for capital investment in Ontario over 5 years. This translates to \$2.8 million over 5 years in Toronto. The year 1 allocation for Toronto is \$184,800. TCS analysis of Phase 1 estimates a capital need of \$3 million. The capital allocation of \$184,800 will have little impact as renovation costs to convert a preschool room to an infant room are upwards of \$150,000. In order to effectively address the magnitude of the capital required over the 5 years, it is recommended that the year one capital allocation be placed in the Children's Services Capital Reserve Fund where it can be held until further Provincial allocations are accumulated and system investment can be strategically applied.

Consistent with Council direction and the TCS service plan, Children's Services will not invest capital or fee subsidy expansion in the commercial sector. However commercial operators may seek re-licensing and address service reconfiguration using their own funding.

Transitional Requirements

As children enroll in ELP over the 5 year implementation phase, transitional funding will be required to stabilize the child care sector. Throughout the transition period, child care for 4-and 5-year-olds will continue to be needed as ELP is phased in incrementally. Transitional resources will be required to assist with the merger and closure of some centres, and to sustain others while they are being reconfigured. To ensure that there is no unintended negative impact on families, some centres will be required to operate with incrementally less children and resources as 4-and 5-year-olds move to education programs. Transitional dollars will provide bridge funding to sustain such centres through implementation. TCS will determine the funding needed in this regard following Provincial clarification of outstanding phasing, funding and policy matters.

Ontario Regulations

On June 8, 2010 the Ministry of Education released the Regulations and Guidelines for full day Junior Kindergarten and Kindergarten (ELP) and the Extended Day Program. The Regulations, among other things, provide direction to the boards on their obligation under the Education Act in operating the Extended Day Program, including guidelines for setting staff ratios and fees. Initial analysis indicates that some aspects of the regulations do not completely align with current City practices. One example is allowing fees to cover the costs of special need supports in the extended day program.

These special needs costs will significantly increase the fees charged to parents and limit the fee subsidies available. The Regulations and guidelines need to be reviewed with the

Ministry of Education to clarify their impact on the fees charged to parents and on the analysis outlined in this report.

TCS will continue to use the City Budget Guidelines, however the extended day guidelines in the Ontario Regulations need to be recognized when working with the boards to determine eligible costs for setting fees. TCS will continue to work with the boards and monitor fee setting to support fees that are reflective of the cost of providing the program and are affordable and accessible to Toronto families.

System Re-engineering

Consistent with the City's current role as service system manager for child care, the Pascal report affirms this role by assigning planning and governance of an early learning system of services to municipalities. The early learning system of services is one where Child and Family Centres (CFC) are responsible for an integrated service delivery model that will include: child care, early intervention and prevention, special needs, family supports etc. The transition towards service integration will require Children's Services to review and re-engineer its existing community forums to ensure that meaningful dialogue occurs with the community as the system transforms. Children's Services will ensure stakeholder engagement and community consultation on issues related to funding and service integration. When a provincial framework is available for the development of CFC, Children's Services will revise transitional and capital requirements, if needed, to ensure CFC's in the community and the schools and their corresponding child care are sustainable, accessible and of high quality.

CONCLUSION

In a very short period of time there has been tremendous progress in advancing the agenda of a fully integrated early learning system with a publicly funded full day program for 4-and 5-year olds in Ontario. The development of the newly established Toronto/Ontario table provides the opportunity for City and Provincial officials to respond to Toronto's unique needs during this transformation. City staff will continue to support and work with Provincial and Board of Education partners in the implementation of ELP and in advancing the re-engineering of the system. As further information and direction is received from the province in relation to transitional resources and CFC development, TCS will develop a comprehensive communication and consultation strategy to ensure transparency and community involvement throughout the system change.

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ATTACHMENTS

Appendix A - Children's Services Fact Sheet