

2012 Ontario Budget Impact on Child Care and Status Updates

Date:	April 11, 2012
To:	Community Development and Recreation Committee
From:	General Manager, Children's Services
Wards:	All
Reference Number:	CD8.1, considered by City Council on November 29, 30 and December 1, 2011

SUMMARY

This report provides information on the implications of the 2012 provincial budget on Toronto's child care system. This report also provides updates on information requested by City Council on the third phase of Full Day Kindergarten (FDK) implementation, nutritional requirements in FDK, the Support Child Care campaign, and Toronto school board plans for implementing FDK.

In addition, this report advises the Community Development and Recreation Committee of the need to amend the 2012 Approved Operating Budget for Children's Services to reflect an additional \$2.983 million in subsidy from the Ministry of Education for transitional funding for phase 3 of FDK.

RECOMMENDATIONS

The General Manager, Children's Services, recommends that:

1. City Council amend the 2012 Approved Operating Budget for Children's Services to replace the \$2.983 million in budgeted contribution from the Child Care Expansion Reserve Fund (CCERF) with \$2.983 million of provincial funding for phase 3 of FDK; and
2. This report be forwarded to Budget Committee for consideration.

Financial Impact

Council approved the 2012 Operating Budget for Children's Services that included new provincial funding of \$1.859 million (\$1.527 million in transitional subsidy and \$0.332 million for capital upgrades) to support phase 2 of FDK transition. The Province has since advised of an additional \$2.983 million in 2012 as transitional funding for phase 3 of FDK, which will replace contributions from the CCERF. After making the recommended adjustment to the CCERF, the projected year-end balance in the CCERF will be \$35.0 million. Based on current service levels, it is expected that the reserve fund will be exhausted in 2014.

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 November 29, 30 and December 1, 2011 requested that:

- the General Manager, Children's Services report back to City Council, through the Community Development and Recreation Committee, on the implications of the provincial budget on child care;
- the General Manager, Children's Services and the Medical Officer of Health report on nutrition requirements for pre-school children as outlined in the *Day Nurseries Act* and how nutritional requirements might be met within full day learning;
- the General Manager, Children's Services, in conjunction with Strategic Communications, develop a strategy that focuses on opportunities that have no cost implications for the City, to increase media coverage and highlight child care issues identified in the report (October 24, 2011) from the General Manager, Children's Services;
- the General Manager, Children's Services develop a pamphlet and web page with easy-to-understand information on the funding needs and transitional challenges facing the child care system as a result of the implementation of full-day kindergarten in Toronto; and
- the General Manager, Children's Services report to the January 11, 2012 meeting of the Community Development and Recreation Committee, and regularly thereafter, on the plans of the Toronto District School Board and the Toronto Catholic District School Board for a smooth transition from 2012 - 2014 for the extended day, and all breaks and holidays for schools that currently have school age child care.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.CD8.1>

ISSUE BACKGROUND

The Provincial Government received the report *With Our Best Future in Mind: Implementing Early Learning in Ontario*, submitted by the Special Advisor on Early Learning in 2009. The report provided a comprehensive action plan for developing a seamless and integrated system to support children from birth to 12 years and their families. The plan included Full Day Kindergarten (FDK) with a corresponding comprehensive child and family service system with child care as the foundation. The Provincial Government identified FDK as a policy priority in 2009 and in early 2012 restated its commitment to implementing FDK across the Province.

Implementation of FDK is proceeding without a corresponding plan to simultaneously mitigate the program's impact on the existing child care service system. Legislative changes and significant funding of both capital and operating requirements have been put in place by the Province to ensure the success of FDK. In contrast, minimal policy direction and funding have been provided to address the needs of the child care sector. In addition, funding for FDK is indexed to meet inflation and other obligations, while funding for child care remains capped.

COMMENTS

September 2012 is a critical point in the implementation of FDK as 49% of kindergarten-aged children will have access to the program. This represents the largest cohort of children moving into school-based FDK and will have the most significant impact on existing child care. These impacts include higher parent fees with the loss of the cross-subsidization traditionally provided by 4 and 5 year olds and a loss of licensed spaces as some centres will no longer be financially viable.

City Council has made multiple requests for additional financial, policy and legislative resources in the months prior to the March 2012 release of the provincial budget. These resources are to address historical funding pressures caused by lack of indexed funding, and to mitigate the impact of FDK implementation on the city's licensed child care system.

2012 Ontario Budget

The 2012 Ontario Budget as tabled on March 27, 2012 identified no new resources for the child care system. The Ontario Municipal Social Services Association has learned that the Ministry of Education will be in contact with Consolidated Municipal Service Managers (CMSMs) in the coming weeks with more details as to where any changes to funding might occur (Toronto Children's Services is the CMSM in the City of Toronto.) The Ministry of Education, which has responsibility for child care funding, received a modest increase in the budget.

In its November 2011 report, the City identified funding needs of \$27.4 million in capital funding (including \$13.9 million for child care in schools, and \$13.5 million to retrofit

child care centres not located in schools); \$27 million in operating/transitional funding; and \$20.0 million to address the historical base funding shortfall. In January 2012 the City received, as a part of its FDK funding allocation, an additional \$2.983 million in operating funding and \$0.818 million in capital funding.

The confirmation of \$0.818 million reflects a partial commitment towards the \$4.0 million provincial portion of the \$5.0 million Health and Safety Program (including City's \$1.0 million portion) included in the 2012 Operating Budget for Children's Services. The Health and Safety Program provides grants to not-for-profit operators to assist with emergency repairs, playground upgrades, accessibility upgrades, and infrastructure retrofits to accommodate younger children due to FDK.

To date, the City has received \$5.677 million (\$1.167 million phase 1; \$1.527 million phase 2; and \$2.983 million phase 3) in operating/transitional funding and \$1.150 million in capital funding to support child care programs impacted by FDK. This leaves a shortfall of \$21.3 million in operating/transitional funding and \$26.3 million in capital funding.

No funding has been received to address the historical shortfall of \$20 million caused by the lack of inflationary increases to provincial funding. As a result, the City pays more than its prescribed cost-sharing percentage (69% of the Children's Services budget is currently cost-shared) and continues to pay 100% of the funding for 2,000 fee subsidies. To date, Children's Services has relied on withdrawals from the Child Care Expansion Reserve (CCER) Fund to address the pressures of the historical funding shortfall and maintain a service level of 24,000 child care fee subsidies.

Children's Services has requested immediate indexing of its base budget to offset the inflationary increases currently being funded through the CCER Fund. This would require increased provincial funding of \$6.5 million in 2012. Without indexing of current funding, this Fund will be depleted in 2013, necessitating a planned reduction in fee subsidy service levels through attrition. If child care funding were indexed, the Fund's life could be extended until 2016, providing time for the City and Province to work together in modernizing the funding model.

The protection and stabilization of child care in Toronto continues to be a priority for the City. The operational needs of the child care system will change substantially as 4 and 5 year-olds leave the system, leaving 40% of centres vulnerable to closure. Without additional provincial funding, a service level reduction will begin in 2013.

In addition to the lack of new resources for the child care system, the Ontario Budget also slows the planned increase to the Ontario Child Benefit. The impact of this change will be felt in Toronto, where 33% of children grow up in poverty compared to 18% for the Greater Toronto Area (GTA).

Phase Three Implementation

The third phase of FDK implementation beginning in September 2012 involves the largest number of children to date moving from existing licensed child care to school-based programs. The number of schools providing FDK in each year of implementation is as follows:

Phase 1 (2010-11), 101 schools

Phase 2 (2011-12), additional 29 schools

Phase 3 (2012-13), additional 146 schools

Phase 4 (2013-14), additional 156 schools

Phase 5 (2014-2015), additional 146 schools

As of September 2012, 276 schools in the city will offer the program to approximately 49% of kindergarten aged children.

Implementation challenges continue to be managed by the Province, City and school boards. While FDK is a positive development for many families and children, its implementation has impacts on the child care system that vary from ward to ward. Another implementation issue that will arise in 2012 is that, in most cases, both Toronto school boards are expected to contract with third-party providers for before- and after-school programs instead of directly operating them. The provincial requirement that each third-party operator be eligible for a fee subsidy contract with the City will require Children's Services to manage a significant number of new contracts in 2012. There is no funding to address this new pressure. Currently, approximately 94 of the schools that will be providing FDK in September 2012 have on-site child care operators with fee subsidy contracts. These contracts would be reopened where the operators decide to provide the before- and after-school program.

Many new third-party operated programs are facing challenges in using shared space for both the core school day and before- and after-school programs. Sharing space and resources between the programs and adapting school space to child care licensing requirements are new challenges for many teachers and schools. The sharing of space and resources is crucial to a seamless and high-quality experience for a child but protocols are still being developed.

In order to reduce duplication of costs and promote a more efficient system, Children's Services has advised Toronto school boards that in schools with existing child care, no new operators will be eligible for a fee subsidy contract for an FDK before- and after-school program in that school. This will limit the number of operators in a location providing licensed child care, and maximize the resources available for fee subsidies. Based on experience to date, the estimated cost of a second operator in a school is \$20,000, which would translate into a loss of two child care fee subsidies per annum.

In order to stabilize the child care system and help mitigate some of the impacts of FDK, Children's Services continues to encourage amendments to the *Day Nurseries Act* that would better align child care requirements with requirements in FDK and before- and after-school programs. Suggested DNA amendments would also streamline contract requirements and provide some flexibility to child care operators in managing their operations.

City Council has requested a revised school capital policy from the Ministry of Education that includes child care centres located in schools. An interim policy is in place that will fund the capital costs of replacing child care spaces for young children in child care centres located in schools that are scheduled to close or be rebuilt. However, this policy may not have an impact in Toronto as it does not include capital funding for child care spaces in new schools, or in rebuilds or retrofits that are already underway. The narrow scope of this policy will limit the opportunities to include child care in schools.

Update on Nutritional Requirements in Full Day Kindergarten Programs

As requested by City Council, the nutrition requirements under the *Day Nurseries Act* for pre-school children and how nutritional requirements might be met in full day learning have been assessed.

Children in FDK are required to arrive at school prepared for the day. This includes bringing snacks and a lunch. Children in FDK have the option to eat at school or to go home for lunch, as is the case for all children attending school. For those who remain at school, children are supervised but no lunch is provided by the school. There are no Ministry of Education expectations or requirements for a lunch program as part of FDK. While none of the four school boards in Toronto provide a lunch as part of FDK, boards have taken other measures to address the nutritional needs of enrolled children. For example, to raise parent awareness regarding the importance of packing nutritious snacks and lunches, the Toronto Catholic District School Board (TCDSB) provides each registrant with educational materials to encourage healthy eating and lunch preparation.

There are community-based student nutrition programs in many Toronto schools, particularly in provincially-designated school communities with higher needs. Most student nutrition programs offer a daily snack or meal to all students, and usually include kindergarten students. In 2011-12, 237 student nutrition program sites offered a snack or meal to JK students. The majority of snacks and meals are offered in the morning, though some are lunch programs. For FDK schools where there is a community-based student nutrition program, the morning meal (three food groups) may be split into smaller portions of morning and afternoon snacks (two food groups each). Student nutrition programs receive a subsidy towards their cost of food from the City of Toronto and/or the Ministry of Children and Youth Services. To pay for the balance of the costs of the snack or meal, student nutrition programs collect parent contributions and organize fundraising initiatives. There is a provincial nutrition standard based on Canada's Food Guide which

student nutrition programs must meet. Student nutrition programs are not governed by the *Day Nurseries Act* (DNA).

In contrast, children in licensed child care are governed by the DNA, which contains legislation and regulations, based on the Canada Food Guide, for the provision of food for children from birth to 12 years of age. Sections 39 to 43 of the DNA require that children in licensed child care be provided with nutritious snacks and a lunch. Section 40.(1) (a) mandates a lunch consisting of at least one serving from milk and milk products (125-175 millilitres), one from meat and alternates (30-60 grams), one from bread and cereals (50-125 millilitres), and two from fruit or vegetables (80-125 millilitres). Section 40. (1) (b) provides for between-meal snacks consisting of foods that promote good dental health. Schedules 1 and 2 of the Act go further in defining the serving sizes per age group, and the total amount of food to be offered to children in care for six hours or more. The cost for the snacks and lunches is included in the parent fee. An analysis of licensed child care operators' budgets indicates an average cost of \$3.84 per child per day for two snacks and a lunch. This cost includes kitchen supplies such as plates and cutlery. Student Nutrition Programs costing for elementary students is \$4.97 for two food group snacks and lunch. These programs occur outside of licensed child care.

While FDK has proven to be a popular program, concerns have been raised regarding the absence of a formal lunch program. Providing lunch programs is an important contributor to health and well being in children and is a precursor for successful school achievement in children. Children in FDK are not at a stage of development where they are able to monitor their food choices or consumption without assistance. At this young age, children rely heavily on the guidance of the Registered Early Childhood Educator and teacher.

On June 28, 2010, the Toronto Board of Health endorsed a report which raised the issue of ensuring that nutritional requirements are met in the FDK program. The Medical Officer of Health recommended that the Board of Health urge the Minister of Education to:

- a) design and fund the Early Learning Program to ensure that the nutritional and developmental needs of these children are addressed; and
- b) provide adequate funding to municipalities to ensure that child care centres can continue to provide supervision and nutritious lunches and snacks through the transition period.

There is a large body of research that shows the benefits to children when they receive adequate nutrition in a school setting. For example, Toronto District School Board research into a morning meal program indicates that students who eat morning meals at least three days during a school week achieve higher grades and higher ratings on learning skills. Program staff also reported improved behaviour, reduced tardiness, and other benefits to the nutrition program¹.

Nutrition Options

Providing children with the best start in life includes access to nutrition within their schools. The FDK program is a provincially-funded program and as such, programs that support children in FDK (E.g. a nutrition/lunch program) would be the responsibility of the provincial government.

The original vision of Full-Day Kindergarten, as laid out in *With Our Best Future in Minds: Implementing Early Learning in Ontario* had parent fees covering lunch and snacks for children enrolled in the program. To date, this part of the vision has not been implemented. There are a number of options, laid out below, that the school boards and Ministry of Education could explore in order to ensure that nutritional requirements in the DNA are also met in the FDK program.

Expanding FDK to include a lunch program would be the ideal way to ensure that the nutritional and developmental needs of children are met. It is suggested that participation in the lunch program could be voluntary and publicly funded as part of FDK. Using the \$4.97 cost per child from the Student Nutrition Programs and applying it to all 37,154 children in FDK in Toronto, it is estimated the full program costs in Toronto will be approximately \$33.4 million per year. This is a broad estimate as it assumes all children will participate and is calculated on 181 instructional days.

If the Province considered full implementation of a nutrition program for all children in FDK as the ultimate goal, it could develop a phased-in implementation approach. This approach could include selecting neighbourhoods in which to begin the program and providing substantial snacks to complement the child's bagged lunch.

There are delivery options available for the implementation of a fully-funded lunch program in FDK. First, while child care providers provide nutritional meals they are not able to provide these beyond their existing licensed capacity. At the same time, school boards currently contract out lunch supervision. Therefore, one option is for the lunch program to be contracted out to child care operators and provided within the current school space. With adequate funding, child care operators may be interested in expanding their program options to include the delivery and supervision of lunches. This could be a mechanism to provide Registered Early Childhood Educators with full-time hours.

Alternatively, school boards could expand existing community-based student nutrition programs to include the children in FDK. This would require provincial approval to expand the guidelines to the younger children. (Children in FDK in schools where there is already student nutrition programs are already receiving the snacks that are part of that program, but do not receive lunch).

There are also policy decisions and communications efforts that could help improve access to nutrition programs in schools. Regardless of the option chosen, a FDK lunch

program should, at a minimum, be free to parents with incomes below Statistics Canada's Low Income Cut-Off. The program could be fully funded, or funded on a sliding scale.

To assist with the implementation of FDK, the Ministry of Education (MEDU) developed resources for Boards, to ensure the success of the program, and a media campaign to promote FDK. MEDU could expand their resources to include nutritional food tips through media and print material, providing educational opportunities for families.

It is clear that meeting the nutritional requirements of children in FDK is essential to their learning and overall health, amongst other benefits. An expanded FDK program that includes lunch will ensure that the nutritional and developmental needs of children are met.

The Medical Officer of Health has reviewed this section of the report and concurs with this information.

Update on Child Care Awareness Strategy

As per the City Council decision at its meeting on November 29, 30, and December 1, 2011, the General Manager, Children's Services, in conjunction with Strategic Communications, developed a strategy to increase media coverage and highlight identified child care issues. The strategy included the following components:

- On February 15, 2012, a meeting was convened with elected officials from all orders of government and Toronto schools boards to provide an information briefing on the status of and issues facing Toronto's child care system. Thirty-two people, including elected officials and their staff, were present.
- Two community meetings were held in two of the wards where child care is most impacted by FDK. These were held February 21 and 28 at Victoria Village Public School and St. Jude Catholic School, respectively. The same presentation was provided and time allowed for audience questions. These meetings were in addition to two similar meetings held by Children's Services in November 2011 at Metro Hall and Scarborough Civic Centre.
- A public website, www.toronto.ca/supportchildcare, was developed to promote awareness. It contains staff reports and a presentation, a letter from the Mayor, and Children's Services service level projections. A "What you can do" section suggested that readers contact the Premier and their Member of Provincial Parliament. The website received over 1,600 visits in February and March.
- A brochure was designed and posted to the Support Child Care website. It describes the implementation of Full-Day Kindergarten and the status of child care in Toronto, including required financial resources.

Update on TDSB and TCDSB transition plans

On February 8, 2012, the Toronto District School Board endorsed Board-operated before- and after-school programs "in schools with Full-Day Kindergarten which do not currently have on-site childcare, or a long-standing relationship with a licensed child-care provider, and where sufficient demand exists for September 2012". It is not currently known if the board will operate any of these programs. Also approved were motions calling for before- and after school programs to be offered to grade 1 and 2 children, where feasible and necessary, and that these programs be offered year-round where demand exists.

For before- and after-school programs, the Toronto District School Board and Toronto Catholic District School Board both offer the right of first refusal to child care operators located on site. Surveys assessing parent demand for these programs are being received by individual schools. Approximately 93 third party programs are anticipated in Toronto for the 2012-13 school year.

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¹ Toronto District School Board (2011). Feeding our Future Program: Interim Findings.