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2015 OPERATING BUDGET BRIEFING NOTE

Equity Targets & Child Care Expansion Reserve Fund (CCER)

Issue/Background:

At its meeting on February 4, 2015, the Budget Committee requested a briefing note from the Children's Services Division addressing:

- 1) the status of "equity" targets by age group, and the cost to improve equity by 1 percent;
- 2) the amount of new funding from the Province and the Child Care Expansion Reserve (CCER) that was used to address the historic base budget shortfall from 2014 (not the 2015 enhancements);
- 3) the status of the Child Care Expansion Reserve (CCER) and projected date of exhaustion.

This briefing note responds to this request.

Key Points:

1) Equity Targets

- Service equity is measured and controlled at the ward and age level. This is traditionally referred to as age and geographic equity. Due to the limited number of fee subsidies, Council approved the equitable distribution of available subsidies by assigning each City ward a share of the 24,932 full time fee subsidies based on the proportion of children in the ward who are living in low-income families. The spaces are then allocated by age, with targets being assigned to each age group. The Child Care Service Plan (2009-2014) has a target to improve geographic equity at the individual ward level so that each ward is within 10 percent of its equity target.
- Age equity targets are established to ensure equitable access to all children, particularly the youngest and most vulnerable. Substantial investment in the creation of new licensed child care spaces is a key factor in achieving age equity for infants and toddlers as is the availability of fee subsidies. Equity targets are set based on population distribution, taking into consideration the length of time a child spends in each age group and the cost of care for each age group.

Table 1 illustrates the current equity targets by age group, actual current enrollment by age group, and the gap between recommended and actual equity by age group.

Table 1

Age Group	Equity Target for Subsidies	Actual Children Receiving Subsidy	Gap between Actual and Equity Target
Infants Spaces	2805	2310	(495)
Toddlers Spaces	4675	4374	(301)
Preschool Spaces	6233	6644	411

- Infant and toddler age groups are below the equity target. Meeting the equity target would require an additional 796 physical spaces; 495 for infants and 301 for toddlers. With more than 17,000 families waiting for child care subsidies, the demand is evident, but the physical capacity to fund subsidies is limited.
- The report, "Children's Services Amendment to 2015 Operating Budget to Reflect Increase in Provincial Contribution in Provincial Contributions," dated January 26, 2015, recommends amending the 2015 Recommended Operating Budget to increase the number of fee subsidies for infant and toddler age groups by 184. This will improve equity by 2.5% and require an investment of \$3.371 million.

Table 2 outlines the number of subsidies and the expenditure required to improve equity by 2.5%. This has been proposed in the 2015 Operating Budget.

Table 2

Age Group	Equity Target for Subsidies	# of subsidies to Increase Equity by 2.5%	Equity Gap	Expenditure Increase
Infants	2805	129	(366)	\$2,494,964
Toddlers	4675	55	(246)	\$875,400
Total Expenditure				\$3,370,364

Table 3 outlines the number of subsidies and the expenditure required to improve equity by an additional 1% for a total increase of 3.5%.

Table 3

Age Group	Equity Target for Subsidies	# of subsidies to Increase Equity by 3.5%	Equity Gap	Expenditure Increase
Infants	2805	180	(315)	\$3,481,345
Toddlers	4675	85	(216)	\$1,352,891
Total Expenditure				\$4,834,236

*Meeting the equity target in infant and toddler age groups will require additional infrastructure through an increase in physical spaces within the existing child care system.

2) Base Budget 2014

- In 2014 the Division did not require a draw from the Child Care Expansion Reserve (CCER) to address budget shortfalls. Funding pressures were offset by:
 - an increase in the Provincial funding allocation by \$20.836 million, with \$0.900 million allocated to the reserve to reduce the ongoing shortfall;
 - an increase in user fee revenue to reflect the actual case mix; and
 - a reduction in the cost for purchased child care due to lower per diems and a change in age mix as a result of the implementation of Full Day Kindergarten (FDK).

3) Status of the Child Care Expansion Reserve

The status of the Child Care Expansion Reserve (CCER) and projected date of exhaustion is as follows:

Reserve Fund Balance Dec 2014	2015 Projected Draw	2016 Projected Draw	2017 Projected Draw
\$49,496.1	(\$12,838.5)	(\$20,190.70)	(\$28,756.1)
Balance	\$36,657.6	\$16,466.9	(\$12,289.2)

- This projection does not reflect increased Provincial funding allocations which may be forthcoming over the next three years. In 2015, the General Manager will report to Council on a long-term strategy to address the Division’s projected shortfall and to ensure the continued viability of the child care system beyond the life of the Child Care Expansion Reserve.

Questions & Answers:

Q- How can the City improve age and geographic equity?

A- By investing resources to support the building of new infant and toddler spaces, the City can improve access and equity for the youngest and most vulnerable children. Capital resources of \$1.262 million, to construct infant space are made available through transitional dollars already included in the 2015 Staff Recommended Operating Budget. The 10-year Recommended Capital Plan provides \$25.098 million for 7 new child care centres creating 408 new spaces.

The Program faces significant challenges in its goal to improve equity and increase the capacity of the child care system in certain areas of the city. Communities with inadequate licensed child care services have insufficient access to both licensed child care space and fee subsidy. This is especially challenging when addressing the demands of those requiring service for the infants and toddlers.

Q- Why does Children's Services require an annual draw from the Child Care Expansion Reserve Fund?

A- Base budget pressures are due mainly to the cost-of-living adjustments for the purchased child care sector. Council has mandated that child care operators be compensated for the actual cost of providing care to those families in receipt of fee subsidy. While increases in provincial funding have been received annually since 2010, the province has not officially committed in indexing its contribution. If increases are not received, Children's Services must rely on draws from the Child Care Expansion Reserve Fund to maintain existing service levels.

The City also relies on the Child Care Expansion Reserve Fund to maintain 2,000 child care subsidies. These subsidies were added by Council to Children's Services service levels in 2006 using one-time Best Start resources, provided to the City as a result of the cancellation of the Federal Government's Early Learning and Child Care Agreement with Ontario.

Q- Does the Provincial funding formula recognize Municipalities that contribute over their minimum required cost share?

A- As a result of its higher contribution, the City received \$16.9 million in Utilization Allocation from the Province in 2015.

Q- How has increased provincial funding been allocated?

A- Since 2013, Children's Services has used increases in provincial funding to support on-going legislated funding requirements, existing core programming, and to fund a modest increase in the number of child care subsidies. At present, 22,932 subsidies are supported by provincial resources. Increases provincial funding has also paid for inflationary costs and one-time capital investments to support the transition of Full Day Kindergarten.

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