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2017 OPERATING BUDGET BRIEFING NOTE

Details on Funding Contributions, Occupancy Agreements, Toronto Early Learning and Child Care Services and Capital Expansion

Issue/Background:

Budget Committee has requested that Children's Service Division submit a briefing note to provide details on:

- The provincial, municipal and parent contributions to the gross and net Children's Services budget over the past 6 years, and the percentage breakdown of these contributions.
- The market rent rate in Toronto District School Board schools where occupancy exists.
- An analysis of the impact of the loss of the Occupancy Grant on full fee parents, including an analysis of the City's current rate and potential occupancy rates based on current school board rates for non-profit and commercial use.
- A summary of the net number of Directly Operated Toronto Early Learning and Child Care (TELCCS) spaces that have been eliminated/added over the past 5 years.
- The number of new spaces that will be created through the Children's Services Capital Reserve and the School Board/Ministry of Education capital program, over the next 5 years, and the number and cost of adding fee subsidies for 50 percent of the new spaces.

This briefing note responds to these requests.

Key Points:

Funding Contributions

- The provincial, municipal and parent contributions to the gross and net Children's Services budget over the past 6 years, and the percentage breakdown of these contributions is included in Table 1.

Table 1

2010-2016 Actual Expenditures by Funding Source (\$ Millions)														
	2010		2011		2012		2013		2014		2015		2016 Proj. *	
Total City Contribution	78.8	21.3%	79.1	21.3%	81.1	21.1%	78.4	20.4%	78.1	19.2%	84.6	19.1%	83.8	17.7%
Province	270.5	73.3%	271.1	73.0%	280.3	73.1%	283.0	73.8%	303.7	74.7%	329.2	74.4%	359.6	76.2%
Parental Contributions	20.0	5.4%	21.1	5.7%	22.4	5.8%	22.3	5.8%	24.8	6.1%	28.4	6.4%	28.9	6.1%
TOTAL GROSS EXPENDITURE	369.3	100.0%	371.3	100.0%	383.8	100.0%	383.8	100.0%	406.6	100.0%	442.2	100.0%	472.3	100.0%
Note: Excludes Transfers from Capital Fund / * 2016 Projections based on current actuals														

Note: The 2016 projections include an additional \$40.1 million, fully funded by the Province, for the Provincial Wage Enhancement program, which has resulted in a reduction in the percentage of the City's Contribution to total gross expenditures from 19.2% in 2014 to 17.7% in 2016.

- In 2010, funding for child care was transferred to the Ministry of Education and a new funding framework and formula was introduced. At that time the minimum required Provincial cost shared portion of the Children's Services budget was capped at the 2009 level and new provincial funding, primarily focussed on facilitating implementation of full-day kindergarten, did not require cost sharing.
- The Provincial funding formula recognizes the City's contributions over the minimum cost share requirement and the City receives a Utilization Allocation from the Province, primarily due to the 2,000 childcare subsidies, 100% funded by the City.
- Parental contributions reflect revenue generated by parents who pay a partial fee based on the provincial fee subsidy income test. Annual revenue projections are based on actual experience to reflect the current age and service mix. Contributions fluctuate year over year to reflect actual family income levels and changing family employment status.

Occupancy Agreements

A review of the Province's current occupancy funding model for Boards of Education is expected to be released by the Province as part of Phase 3 of the Children Care and Early Year Act in 2017. The City and other municipalities have requested that the Minister of Education improve the funding formula to include the occupancy cost of early learning and child care space in schools. On July 12, 2016 City Council adopted the following recommendations supporting this direction:

- City Council request the Minister of Education to support a continuum of learning and the stabilization of early years and child care programs located in school buildings by undertaking the following five actions which have been developed collaboratively by the City of Toronto and the Toronto District School Board, the Toronto Catholic District School Board, Conseil scolaire Viamonde, and Conseil scolaire de district catholique Centre-Sud:

- improve the funding formula in order to fully fund the occupancy cost of early learning and child care space in schools directly to the school boards;
 - ensure the funding formula takes into account the higher cost of building, operating and maintaining spaces for young children;
 - ensure the funding formula for early learning space is not a per person rate, but a per room rate;
 - ensure the funding formula accounts for the incrementally higher cost of operating before- and after-school programs in shared spaces; and
 - ensure that the school utilization formula reflects the improved funding formula and fully accounts for early learning space in schools.
- The current occupancy agreements between the City and the four school boards covers the school boards operating costs associated with child care programs located in schools.
 - As a result, the Occupancy Grant in school board facilities that receive the grant subsidizes full-fee paying parents with children in these schools, while full-paying parents with children in the school board facilities that do not receive the Occupancy Grant do not benefit from this subsidy.
 - Currently not all child care centres in schools are covered by the existing occupancy agreements. Across the sector 35% of child care centres benefit from the occupancy agreement, while 65% of centres do not receive this benefit.
 - Phasing out the occupancy agreements would improve equity in terms of how operators in schools are treated, a priority given the “Schools First” provincial policy which encourages the use of a schools-first approach when locating child care and early years services whenever possible.
 - Cancellation of the occupancy agreements places responsibility for managing occupancy costs on school boards and their tenants. Currently the City has occupancy agreements with the following school boards:
 - Conseil Scolaire de District Catholique Centre-Sud
 - Conseil Scolaire de District du Centre-Sud-Ouest
 - Toronto Catholic District School Board
 - Toronto District School Board
 - The current market rate to cover occupancy costs in the Toronto District School Board where the child care operator pays these costs directly to the board is \$11.06 per square foot
 - Estimates for future occupancy costs have been modelled on the Toronto District School Board’s current market rate of \$11.06 as it is the largest board with the greatest number of child care programs benefiting from the current agreement.
 - Occupancy costs paid by the City to the other three participating school boards may be slightly lower; however fall within the same range. Costs vary somewhat in that they are calculated by site and/or by child depending on the school board.

- While future costs for occupancy have not been confirmed by the four participating school boards, should the existing agreements be cancelled, the estimated savings is \$1.13 million in 2017, with additional savings of \$1.13 million in 2018, (reflecting total estimated saving of \$2.26 million), is calculated assuming a future cost of \$11.06 per square foot.
- The occupancy cost per square foot is the same for non-profit and commercial child care operators.
- Fees for parents who receive a fee subsidy will not be impacted as per diems paid to operators on behalf of these families would be adjusted to reflect actual occupancy costs.
- Based on the current rate of \$6.50 per square foot, Children's Services staff estimates a fee increase \$0.79 per day or \$206 per year, for full fee paying parents; those families who do not receive a fee subsidy or who are not eligible for a fee subsidy.
- Should occupancy costs to child care operators increase to \$11.06 per square foot, the estimated fee increase for full fee paying parents is \$1.35 per day or \$352 per year.
- An increase to full fee paying parents would impact approximately 60% or 15,295 spaces in schools being used by full fee paying families. Approximately 40% or 10,196 of spaces in schools are used by families whose child care costs are subsidized and they would not see an impact on their fees.
- Both estimates are based on a general calculation that considers the size and cost of space as well as square footage rates charged by the Toronto District School Board.

Toronto Early Learning and Child Care Services (TELCCS)

A summary of the number of child care spaces directly operated by Toronto Early Learning and Child Care Services (TELCCS) over the past 5 years is included in Table 2

Table 2

TELCCS Number of Spaces 2012-2017			
Child Care Centres			
	2012	2017	Change
Number of Centres	52	52	-
Capacity (# Spaces)			
Infant	344	378	34
Toddler	535	620	85
Preschool	1,123	974	(149)
Kindergarten	340	348	8
School Age	414	393	(21)
Total	2,756	2,713	(43)

- While the number of child care centres directly operated by the City remains constant, the introduction of Full Day Kindergarten has resulted in a shift in services provided.
- As four and five year olds enroll in Full Day Kindergarten, TELCCS has reconfigured vacated space to increase service to younger age children with a focus on improving access to service for parents with infants and toddlers, resulting in an increase of 34 infant spaces, 85 toddler spaces and 8 kindergarten spaces, offset by a reduction of 170 preschool and school age spaces.
- Expansion of infants and toddlers spaces across the child care sector is required to achieve age equity and a similar pattern of growth in infant and toddler spaces has been experienced in the purchased child care sector.

Capital Expansion

Over the next 10 years (2017-2026) a total of 2,090 new licensed child care spaces will be delivered through the Children's Service Preliminary Capital Plan and the Ministry of Education's capital program for which funds flow directly through to school boards. Over the next five years, the Preliminary Capital Budget for Children's Services will deliver 874 new licensed spaces, with the Province expected to deliver 1,092 spaces funded through school boards.

- To provide fee subsidy for 50 per cent of these spaces would require an additional \$10.45 million in subsidies.
- At an average cost of \$10,000 per fee subsidy, the cost of the additional service would be \$10.45 million annually, once the new spaces are delivered.
- A provincial announcement on September 12, 2016 focused on the creation of 100,000 new spaces for children from birth to age 4 across Ontario. Assuming Toronto receives its proportionate share of 30 per cent; expected funding would create the equivalent of 30,000 new spaces.
- While guidelines for this funding are not yet available, Toronto Children's Services assumes that a combination of funding will be available for capital, fee subsidies, and base funding to address affordability.
- If all provincial funding is invested in capital without growth in the fee subsidy system, new spaces would be at a high risk of being vacant as the majority of Toronto families cannot afford the full cost of child care.

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