

## AUDIT AT A GLANCE

### WHY THIS AUDIT MATTERS

Licensed child care services in Toronto are the most expensive in the country, and they're unaffordable for 75% of parents.

For families who are not eligible for a child care fee subsidy, the high costs of licensed child care can present a significant financial burden, to the extent that some parents cannot participate in the work force.

Aside from the high costs, families also have difficulties finding licensed spaces in the City, and there are many families waiting for fee subsidies.

### BACKGROUND

The City's Children's Services Division is responsible for conducting eligibility assessments of families applying for subsidies and managing the subsidy wait list. The Division has contracts with 639 licensed child care centres for purchasing services for children with fee subsidies. The Division also operates 52 licensed child care centres, and inspects the City-run and contracted centres.

### BY THE NUMBERS (as of December 2017)

- 1,033 licensed child care centres with 83,587 licensed spaces in the City
- 74% of licensed spaces are in non-profit centres, 23% in commercial centres, and 3% in City-run centres
- \$279 million spent in 2017 to provide fee subsidies to 28,367 children
- 4,993 children on wait list with immediate need for child care; 4,838 with future need
- 6 weeks: time a parent has to find a space once they get a subsidy
- 52 City-run centres with 2,921 spaces; \$14 million operating shortfall in 2017
- \$1,440: average monthly cost of child care (0-4 years) in non-profit centres, compared to \$1,988 in City-run centres
- \$22.5/hr: average wage a Registered Early Childhood Educator (RECE) makes in contracted non-profit centres
- \$30.4-\$37.1/hr: average wage a City RECE makes at a City-run centre

### Children's Services Division: Opportunities to Achieve Greater Value for Child Care from Public Funds



#### A. Changing to a more economical service delivery model can increase the number of subsidies

The 52 City-run centres charge the highest fees; \$2,325 monthly for infants, \$2,070 for toddlers, and \$1,570 for pre-schoolers. Even with high fees and various government grants, the City is operating these centres at an annual operating shortfall. Instead of directly operating these centres, the City could re-direct resources by transferring operations to non-profit operators to continue to operate these centres at lower costs. The potential long-term financial benefit is an annual savings of \$28 million; enough to provide 2,200 extra child care fee subsidies without a budget increase. This will also help lower the fees in the 52 centres, making these spaces more affordable for full-fee paying families.

#### B. Increase City access to existing licensed spaces

The Division's approved 2018 capital budget includes \$49 million to build 21 new centres to add 1,110 spaces over 10 years. Making better use of the existing supply of spaces may help to reduce the City's need to build new centres and reduce vacancy in child care centres.

The Division imposes a ceiling restricting the number of spaces it will purchase from each contracted centre. This makes about 7,000 existing spaces unavailable for children with subsidies. The Division also does not have contracts with 144 non-profit centres which have about 7,000 licensed spaces. Even if just a small percentage of these spaces are vacant, this will provide a considerable number of extra spaces that can be used for children with subsidies.

In addition, about six per cent, or 3,000 spaces, in City-contracted centres are vacant. The 52 City-run centres have an average of 16 per cent vacancy rate, or about 400 vacant spaces.

#### C. Use more current income information to assess eligibility

Provincial legislation requires that an applicant's eligibility for a child care fee subsidy is assessed based on their annual Notice of Assessment (NOA). This is inconsistent with the Province's other income-based assistance programs where applicants provide pay stubs for proof of income. Based on our sample review and research, if pay stubs (which reflect more current income information than a NOA) are used by the City, the net financial impact could potentially result in millions saved every year; the savings can then be reinvested in the sector.

#### HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Child care is crucial for parents, but the current system is unaffordable for most. This audit identified several ways the City can significantly improve how it administers child care, and options that would result in significant savings.