

Children's Services Amendment to the 2018 Approved Operating Budget to Reflect Increases in Provincial Contributions

Date: June 4, 2018

To: Executive Committee

From: Acting General Manager, Children's Services

Wards: All

SUMMARY

This report seeks approval to amend the 2018 Approved Operating Budget for Children's Services to reflect an increase of \$41.329 million in Year 2 Provincial contributions.

This report recommends amendments to the 2018 Approved Operating Budget for Children's Services that supports the Council-approved *Child Care Service Plan 2015 - 2019*, the Council approved *Toronto's Licensed Child Care Growth Strategy for Children under 4, 2017-2026* and the *Child Care Growth Strategy - Phase One Implementation (2017-2019)*.

RECOMMENDATIONS

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

1. City Council amend the Children's Services 2018 approved Operating Budget to reflect an increase of \$41.329 million gross, \$0 net and the associated Service Levels, with the following allocations:

a. an increase of \$13.744 million gross, \$0 net in General Operating Funding to improve affordability be made to eligible licensed child care programs, in accordance with City guidelines, fully funded by the Province;

b. an increase of \$8.305 million gross, \$0 net for the Fee Stabilization Support program, fully funded by the Province;

c. an increase of \$0.358 million gross, \$0 net for the Journey Together Program to increase the number of culturally relevant licensed child care spaces and child and family programs, fully funded by the Province;

d. new funding of \$4.792 million gross, \$0 net for Licensed Home Child Care, to provide stable funding to benefit home child care providers in the form of increased compensation and benefit parents in the form of reduced fees, fully funded by the Province;

e. an additional \$0.845 million gross, \$0 net for Specials Needs Resourcing, fully funded by the Province;

f. an additional \$1.240 million gross, \$0 net to administer expansion and growth, that includes an additional 5 permanent positions and 3 temporary positions to support planning and implementation of system growth and expansion, fully funded by the Province; and

g. new funding of \$12.045 million for the Community-Based Early Years and Child Care Capital Program (CBCP), fully funded by the Province.

2. Authorize the Acting General Manager, Children's Services to receive the funding from the Province of Ontario for the new Community-Based Early Years and Child Care Capital Program, and enter into Service Agreements that are to the satisfaction of the City Solicitor, with provider agencies in order to flow provincial funds to these agencies.

FINANCIAL IMPACT

In May 2018, the City received notification from the Province with regards to the increased allocation of \$41.329 million from the Ministry of Education. This allocation will improve child care affordability for families, increase funding to sustain the previous year's growth, increase Fee Stabilization Support funding, increase funding for the Journey Together Program, add new investments for Licensed Home Child Care, increase funding for Special Needs Resourcing, support program administration to enable expansion and provide new investments for a Community-Based Early Years and Child Care and Capital Program.

This report seeks to amend the 2018 approved Operating Budget to reflect the increase in provincial funding of \$41.329 million, as reflected in Table 1 below:

| | (in \$000's) | | |
|------------------------------|------------------|------------------|-----------------|
| | Gross | Revenue | Net |
| 2018 Approved Budget | 621,409.9 | 538,719.4 | 82,690.5 |
| General Operating Funding | 13,743.5 | 13,743.5 | - |
| Fee Stabilization Support | 8,305.1 | 8,305.1 | - |
| The Journey Together Program | 358.0 | 358.0 | - |

| | (in \$000's) | | |
|--|------------------|------------------|-----------------|
| Licensed Home Care Funding | 4,792.0 | 4,792.0 | - |
| Special Needs Resourcing | 845.5 | 845.5 | - |
| Administrative Funding to Support Expansion | 1,240.0 | 1,240.0 | - |
| Community-Based Early Years and Child Care and Capital Program | 12,045.0 | 12,045.0 | - |
| 2018 Incremental Provincial/Federal Funding | 41,329.1 | 41,329.1 | - |
| Amended 2018 Operating Budget | 662,739.0 | 580,048.5 | 82,690.5 |

Given that new funding for the Community-Based Early Years and Child Care and Capital Program growth must be invested by December 31, 2020 any unspent funds will be transferred to the Child Care Expansion Reserve Fund (XR1101) for use in 2019 and 2020 to achieve provincially mandated project targets.

Five permanent and three temporary positions are required to support the Division in enhancing the availability and quality of early years services for Indigenous children and families, to increase service delivery, administer fee subsidies, respond to increased child care capital needs related to new Provincial investments and support pressures on multiple units to manage new responsibility in the child care sector.

New positions would be added July 1, 2018 with a total 2018 impact of \$0.518 million and an annualized impact of \$1.035 million in 2019. All increases in staffing costs will be 100% provincially funded and have no impact on the City's net budget.

New provincial investments do not require municipal cost sharing.

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

DECISION HISTORY

City Council at its meeting on November 8 and 9, 2016, adopted the report titled "Growing Toronto's Licensed Child Care System". The report outlines information on the Licensed Child Care Demand & Affordability Study which confirms the need for increased access to affordable child care in Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD.15.2>

On April 13th 2017, City Council adopted Toronto's Child Care Growth Strategy. This 10 year strategy aims to create new child care spaces to meet demand, improve affordability for families and support a thriving workforce.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD19.2>

The growth strategy aligns with the Children's Services Service Plan and Capital Strategy, and with the Child Care Funding Model approved by City Council in 2016.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD3.3>
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD4.5>

City Council at its meeting on November 7, 2017, adopted the report titled Child Care Growth Strategy - Phase One Implementation (2017 -2019). The report outlines details related to Phase One of implementing the Council-approved Toronto Licensed Child Care Growth Strategy and reflects the impacts of funding commitments from the federal and provincial governments.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD23.5>

BACKGROUND

Provincial and Federal Funding

On September 12, 2016, the provincial government announced its plan to improve access to licensed child care for 100,000 more children aged 0-4 years over the next five years. To support this commitment, the government made an investment of \$170 million in 2017, increasing its total investment in child care in Ontario to \$1.37 billion in 2017. The investment for the expansion plan is to grow to \$200 million across the province in 2018.

In the first year of this provincial expansion plan, new funding for licensed child care supported approximately 16,000 more children 0-4 years old across the province. Funding supports new child care fee subsidies, expands access to affordable licensed child care spaces, and reduces fee subsidy waitlists to help parents access quality child care.

Similarly, the federal government announced \$500 million for 2017-18 to support the development of a new National Early Learning and Child Care Framework, to be developed with provinces, territories and Indigenous communities. \$100 million of this is earmarked for Indigenous child care and early learning on reserve. On March 22, 2017, the federal budget announcement proposed an additional \$7 billion over ten years, starting in 2018-19, "to support and create more high quality, affordable child care spaces across the country".

COMMENTS

Increased provincial and federal funding for child care expansion is a welcome investment for Toronto. Toronto's allocation of more than \$55 million for expansion in 2017 began to commit the resources needed to achieve the vision set out and approved by City Council in Phase One Implementation of the Child Care Growth Strategy.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD23.5>

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The Growth Strategy sets out a vision that in by 2026 the child care system will serve 50 per cent of children from birth up to four years and parent fees will be reduced by 25 to 40 per cent from 2017 levels. The Strategy estimated that 30,000 additional child care spaces for children under the age of four would be required to serve 50 per cent of children by 2026, also from 2017 levels

This vision is based on the results of the Licensed Child Care Demand and Affordability Study, which was considered by City Council in November 2016. The study built economic models of demand for licensed child care in Toronto. It found that demand could rise to 50 per cent of children, but that current demand is constrained by costs that are unaffordable for most families. Other studies, such as one by the Canadian Centre for Policy Alternatives titled, " Time Out: Child Care Fees in Canada 2017" have also highlighted the high cost of child care in Toronto.

The Child Care Growth Strategy - Phase One Implementation staff report provided details related to implementation of the Growth Strategy, specifically highlighting targets for growth, affordability and a thriving workforce and identifies system transformations required to achieve the long-term goals.

The 2018 provincial Year 2 Expansion funding must be invested in either expenditures over and above the previous year's base expenditures or to sustain previous year's growth, primarily for children aged 0-4 years. Expansion plan funding is intended to address local needs and may be used to broadly reduce licensed child care fees and increase affordability for children in this age groups. Any funding not spent on the prescribed expenditures will be recovered by the Ministry.

Impact of 2018 Additional Provincial Funding Allocation

Table 2 outlines designated funding that must be used on programs and expenses specified by the Province and the funds available for expansion in Toronto. The recommended use of these funds has been considered to achieve maximum impact across the sector. New provincial investments do not require municipal cost sharing.

Table 2 – 2018 Funds Available for Investment

| | (\$Millions) |
|--|-----------------|
| Fee Stabilization Support | \$8.305 |
| The Journey Together Program | \$0.358 |
| Base Funding for Licensed Home Child Care | \$4.792 |
| Community-Based Early Years and Child Care Capital Program | \$12.045 |
| Total Designated Funding | \$25.500 |
| General Operating Funding | \$13.744 |
| Special Needs - Legislated | \$0.845 |
| Expansion Administration | \$1.240 |

| | |
|---|-----------------|
| | (\$Millions) |
| Funds Available for Expansion | \$15.829 |
| Total Funds Available for Investment | \$41.329 |

*Note: Designated funding is provided by the Province and must be used to fund programs and services specified by the Province.

Designated Funding

In October 2017, the Ministry of Education announced a new Fee Stabilization Support program for child care operators and home child care agencies across the province. The program recognizes that increasing operating pressures, related to increases in minimum wage, may lead to increases in child care fees for families. To support improved wages for the licensed child care workforce, affordability for families, and to address potential fee increases, the ministry has increased funding to administer this program. The program is 100 per cent provincially funded and funding may only be used to increase hourly wages of licensed child care staff currently earning under \$14 an hour. As the Service System Manager, Toronto Children's Services must manage implementation of the program, distribution of the funds, and ensure reporting requirements are met. The City's initial allocation for the Fee Stabilization Support program was \$2.76 million for the first quarter of 2018. An increase of \$8.305 million has been provided by the province to annualize the funding to the end of 2018.

On May 30th 2016, the Province of Ontario announced The Journey Together: Ontario's Commitment to Reconciliation with Indigenous Peoples. Starting in 2017, The Province of Ontario will invest \$250 million provincially over the next three years to "address the legacy of residential schools, close gaps and remove barriers, support Indigenous culture, and reconcile relationships with Indigenous peoples". The Ministry of Education's initiative under Journey Together announced up to \$70 million across the province in 2018 and 2019.

As reported to the Community Development and Recreation Committee on September 11, 2017 (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD22.4>) Journey Together project proposals were jointly submitted to MEDU by Toronto Children's Services and local Indigenous planning partners on September 29, 2017. On December 4th 2017, Children's Services was informed that the City of Toronto had been allocated \$6,893,497 for 2018. An increase of \$0.358 is recommended for addition in 2018 to reflect an additional project approved after the initial allocation. Funding may only be used for the projects and expenses specified by the province. This amount will fund culturally safe child and family programs across the city, including the retrofit of two new Indigenous child and family centres. Funding for The Journey Together initiative is 100 per cent provincially funded.

In May 2018, the Province of Ontario announced new base funding for licensed home child care agencies. Starting in 2018, the Province is investing \$19.5 million in home child care across the Province for this purpose. The intent is to support the provision of

stable, predictable funding to assist licensed home child care agencies with forecasting, planning and recruiting more providers. Toronto's allocation of \$4.79 million will benefit providers through increased compensation and benefit parents in the form of reduced fees.

The 2017-18 Community-Based Early Years and Child Care Capital Program (CBCP) provides funding for the expansion of early years & child care spaces through renovations, retrofits, and additions to existing child care and EarlyOn child and family programs located outside of schools. Toronto's total CBCP allocation is \$9.73 million for child care and \$2.31 million for EarlyOn child and family programs, a total \$12.04 million. Children's Services issued a call for proposals broadly across the sector in March 2018. The Ministry has now completed its review of these submissions and approved funding was confirmed in May 2018. Funding for this program is provided by the Province and flows from the City directly to operators who undertake the projects, which must be completed no later than December 31, 2020.

Funds Available for Investment

The new provincial Year 2 Expansion funding of \$13.744 million is provided for investment above the approved 2018 Service Levels, primarily for children aged 0-4. Expansion funding must focus on increasing access to affordable child care, providing increased access to service and broadly reducing licensed child care fees.

Allocating new investments to meet affordability objectives will increase General Operating Funding (GOF) to child care operators in order to reduce parent fees, with the initial focus on fees in the highest range. This approach is consistent with the Council approved Child Care Growth Strategy – Phase One Implementation (2017-2019) staff report. In 2017, an additional \$11.4 million was invested in General Operating Funding to operators and has already helped to stabilize child care fees in Toronto. In Phase One the investment required to achieve each 1 per cent reduction in parent fees is approximately \$3 million. Increased provincial investment in 2018 enables a consistent, equitable approach to achieving affordability targets. The goal of Phase One is to increase GOF funding in order to reduce fees by up to 10 per cent by the end of 2019.

As more families have access to licensed child care, the number of children with extra support needs is expected to increase. Additional funding of \$0.845 million has been provided to increase services for these children to ensure that all children have access to the system, in accordance with the City's "Every Child Belongs" policy. This funding is required to be spent for this purpose.

Additional resources of \$1.24 million gross, \$0 net have been allocated to administer the expanded Fee Stabilization and Journey Together programs, administer new investments in Licensed Home Child Care and to administer the Community-Based Early Years and Child Care Capital Program (CBCP). There is no municipal cost-share required for this funding. The Province, allows up to 10 per cent of its allocation for the administration of new and expanded programs. Currently Children's Services uses approximately seven per cent of its budget for administration, which is below the allowable threshold.

CONCLUSION

The recommendations included in this report request authority to amend the 2018 Approved Recommended Operating Budget for Children's Services by \$41.329 million gross and \$0 net to reflect the Year 2 Provincial Expansion funding announced in May 2018, which is not currently included in the 2018 Approved Operating Budget.

CONTACT

Shanley McNamee, Director, Strategic Business & Financial Services;
Tel; 416-392-8284; Email: shanley.mcnamee@toronto.ca

SIGNATURE

Anne Longair
Acting General Manager, Children's Services

ATTACHMENTS
