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2020 OPERATING BUDGET BRIEFING NOTE

Funding Required in 2020 to Keep City on Track with the Child Care Growth Strategy

This briefing note responds to a request from Budget Committee (Motion 5a) for the General Manager, Children's Services to:

"...in light of Provincial funding costs and downloading of costs to the City, detailing what funding would be required to keep the City's childcare fees and subsidies on track with the City's childcare growth strategy affordability goals, including the number and cost of subsidies required to maintain the City's 40 percent ratio of fee subsidies to spaces that is stated as our minimum goal for accessibility in our childcare growth strategy and the funding required in 2020 to keep us on track toward our goal of a 25-40 percent fee reduction by 2026"

Issue/Background:

- City Council approved the 10-year Child Care Growth Strategy ([2017.CD19.2](#)) which calls for a tri-government investment in the growth of child care. City Council confirmed its ongoing commitment to funding 20 percent of child care operating costs subject to budget approval. Two goals of the strategy are:
 - Increase child care fee subsidies to serve 40 percent of all licensed spaces
 - Providing stable, predictable base funding to operators that reduces parent fees by 25 to 40 percent
- City Council adopted the Child Care Growth Strategy – Phase One Implementation (2017-2019) ([2017.CD23.5](#))

Key Points:

- Continuing investment from all three levels of government is vital to sustaining current child care service levels in Toronto, and to support continued growth in line with the Council-approved Growth Strategy
- Since the Strategy's approval in 2017, the funding landscape has changed. Provincial Expansion Plan funding, which is used primarily for child care fee subsidies and to support affordability for all families, has decreased by \$15.1 million in 2020 as a result of a change to the cost-share policy for this funding stream; shifting from 100 percent provincially funded to an 80/20 cost-share with municipalities ([2019.EC8.16](#))

- A one-time increase in core services delivery funding and other operating allocations, used primarily for child care fee subsidies, of \$12.3 million, results in an overall provincial funding decrease of \$2.8 million in 2020
- Based on the growth in licensed child care spaces projected for 2020, Children's Services would require an additional 1,160 child care fee subsidies, and approximately \$15.0 million in combined investment from all three levels of government to stay on track with the Growth Strategy's target of a 40 percent fee subsidy to space ratio, and a reduction in parent fees of 25 to 40 percent by 2026.
- It should be noted that:
 - Both the provincial and federal governments are reviewing the existing child care funding formula, allocation methodologies, and policy mandates. Once the funding allocations, policy directions, and service levels are confirmed, Children's Services will incorporate the impacts in its recommended implementation plan for 2020 – 2022
 - As new child care centres open, there will be a need to provide additional child care fee subsidies and base funding to child care operators to ensure programs are accessible and affordable for all families. To date, the Province has confirmed operating funding for 17 previously approved school-based sites. Additional operating impacts arising from the creation of new child care spaces will be subject to evaluation for consideration with other City priorities as part of the future years' budget processes
- As Children's Services has completed Phase 1 of the Growth Strategy at the end of 2019, the division will be reporting back on the results of the initial phase of implementation of the plan in 2020

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