

Provincial Funding for Child Care During Implementation of Full Day Early Learning Kindergarten

Date:	July 5, 2011
To:	City Council
From:	General Manager, Children's Services
Wards:	All
Reference Number:	

SUMMARY

This report responds to the June 29, 2011 request from the Community Development and Recreation Committee that the General Manger, Children's Services, report directly to Council on the approved funding and future funding requirements of child care as a result of full implementation of the all day kindergarten program. The report also provides information on the number of fee subsidies that could be created from the funds provided for 2011/2012 and on the status of the Child Care Expansion Reserve Fund.

Financial Impact

To date, the Province has provided the City with \$0.332 million in capital funding to assist operators in reconfiguring to meet the needs of younger age groups as 4 and 5 year-olds leave the child care system. In addition, the City has received a combined total of \$1.9 million in additional subsidy resources to stabilize the child care system. The Province has also provided \$0.759 million in new fee subsidies for 4 and 5 year-olds enrolled in Full Day Early Learning Kindergarten (FDELK) extended day programs. The additional funding has reduced reliance on the Child Care Expansion Reserve Fund (CCER) and consequently extended the fund's life into 2013.

Children's Services continues to work with provincial staff and other municipalities on a number of policy and implementation issues, including those related to funding and funding models, and will report to Council as the implementation of FDELK progresses.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact statement.

DECISION HISTORY

Community Development and Recreation Committee at its meeting of June 29, 2011, requested that the General Manager, Children's Services, submit a report directly to Council on funding requirements for FDELK and for the stabilization of the child care sector. The committee also approved a staff report that provided an update on recent developments related to child care and the Provincial Government's FDELK program.

ISSUE BACKGROUND

Funding pressures impacting Toronto's child care system can be categorized in two ways. First, there are the financial impacts of the provincial FDELK program on the child care system. Second, is the historical gap that exists between provincial funding levels and the actual cost of delivering service.

City Council in January 2010 unanimously endorsed the full vision of FDELK, as presented in the report "With Our Best Future in Mind: Implementing Early Learning in Ontario" by the Premier's Early Learning Advisor, Dr. Charles Pascal. The phased-in implementation of FDELK means that 4 and 5 year olds are incrementally leaving child care programs for school-based kindergarten and extended day programs.

The 2010-2011 school year is the first phase of FDELK implementation. As of 2015, all schools in Toronto will offer a FDELK program for 4 and 5 year-olds. The 2012-13 school year will be a key period in this transition, as 49% of the projected enrolment for kindergarten will have access to the full day kindergarten program.

The successful implementation of FDELK and the stabilization of the child care sector require that a number of funding challenges be resolved prior to September 2012.

COMMENTS

Full Day Early Learning Kindergarten

There are three areas of funding that must be addressed if the impact of FDELK on child care at full implementation is to be mitigated: capital funding, transitional funding, and implementation costs.

Capital

Capital funding is the money required to reconfigure child care centres to serve younger children as 4 and 5 year-olds transition from child care to school locations. Toronto's year 1 (2010-11) provincial allocation is \$0.185 million and year 2 (2011-12) allocation is \$0.147 million, for a total to date of \$0.332 million. Toronto's total allocation at full implementation is projected to be \$2.8 million based on previous provincial allocations. Children's Services through the use of a quantity surveyor has estimated that capital costs

for the reconfiguration of existing child care sites will be \$13.5 million in centres located outside of schools and \$30 million including sites in schools.

Additional capital funds will be needed if child care is to be added in new or expanding schools. These requirements cannot be quantified at this point as school capital plans are being developed. The provincial government is encouraged to broaden the capital policy governing major school construction to ensure that resources are available to properly integrate care for younger children.

Transitional Funding

Transitional funding, as per Ministry of Education guidelines, is intended to support child care fee subsidies for infants to 3.8 year olds wherever possible. Flexibility exists to direct transition funds to other areas as needed. The estimated Toronto allocation of transitional funding is \$11.7 million of \$51 million in total provincial investment at full implementation. This includes allocations of \$0.787 million and \$1.148 million in years 1 (2010-11) and 2 (2011-12), respectively, for a total of \$1.935 million received to date. The City's financial need to maintain current service levels of 24,000 fee subsidies is \$27 million. With \$11.7 million in provincial funds and \$6.3 million in reinvested savings from 4 and 5 year-olds leaving the system, the City will experience a \$9 million funding shortfall at full FDELK implementation.

Implementation Costs

Resources are also required to support costs incurred due to the 5-year phase-in period. Many child care centres will be operating inefficiently during this time, as 4 and 5 year-olds incrementally leave the system and centres undergo reconfigurations. Legislated staff to child ratios means that operators will not be able to reduce their costs as children leave incrementally and revenue is lost. This issue is compounded by the lack of extended day programs offered in schools. To date the province has not provided resources to alleviate these costs. Children's Services is in the process of estimating the required resources.

New Fee Subsidies

Toronto has also received provincial funds for new fee subsidies for children enrolled in the extended day component of FDELK. For years 1 (2010-11) and 2 (2011-12) these allocations have been \$0.38 million and \$0.379 million respectively. Total funding for new fee subsidies for this age group at full implementation is estimated to be \$4.37 million, which will purchase 478 subsidies. As a result of limited or no extended day programs in Toronto in year one and two of implementation, Children's Services has been able to apply the new fee subsidies for phases 1 and 2 of FDELK to the overall funding of 24,000 subsidies. This has reduced the draw from the Child Care Expansion Reserve Fund (CCER) and consequently extended its life into 2013.

The 2011/2012 transitional funds provided by the province to support the child care system could create an additional 110 fee subsidies. At full implementation, the \$11.7 million in transitional resources provided to the City could create 1170 subsidies as illustrated in Appendix A, assuming an average cost of \$10,000 per space. The cost per subsidized space will rise due to the loss of cross-subsidization as 4 and 5 year-olds move to school-based programs, however, leaving more expensive infants and toddlers to be served in child care.

Historical Pressures

The funding required to implement FDELK is in addition to the historical base funding pressures caused by a lack of inflationary increases to provincial funding levels. These pressures are currently being addressed through annual withdrawals from the CCER, which will be exhausted in 2013 in the absence of new federal or provincial investment. This will result in a corresponding service level reduction of approximately 2,700 child care subsidies, beginning through attrition in September 2012. All 44 wards will see a loss of subsidized spaces. Of the 44 Wards, 16 wards will experience a space reduction of over 75 spaces (See Appendix B).

A summary chart outlining provincial funding allocations and City funding requirements is attached as Appendix A to this report.

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SIGNATURE

(original signed)

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ATTACHMENTS

Appendix A - Preliminary Summary of Provincial Allocation and City funding Requirements Converted to Child Care Fee Subsidies.

Appendix B - Ward Equity Targets with a Reduction of 2,700 Subsidy Spaces