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2013 OPERATING BUDGET BRIEFING NOTE

Children's Services 5 Year Funding Summary and Cost to Improve Equity

Issue: This briefing note responds to two motions from the December 3, 2012 Budget Committee meeting.

1. That the General Manager, Children's Services, provide a briefing note that summarizes the financing of Children's Services over the past five years, including Provincial/City cost-sharing, draws from the provincially funded reserves, and City contributions to services and reserves.
2. That the General Manager, Children's Services, provide a briefing note on the number of new subsidy spaces required to achieve a 1% increase in the equity target ratio for infants, toddlers and preschool.

Issues:

Fiscal Pressures: For several years, there has been a gap between funding provided through legislated provincial and municipal cost share ratios and Council mandated service levels. Council direction includes the provision of 24,000 subsidies and payment of actual cost of services delivered by community based providers. Actual cost of service represents a cumulative annual pressure of approximately \$7 million (inflationary costs). Currently, provincial and City base funding levels do not support all legitimate operating cost increases, making it impossible to maintain service levels approved by Council without funding from the Child Care Expansion Reserve Fund (CCERF).

Historical Funding Pressures:

- The majority of provincial contributions to child care are not indexed to inflation. As a result, Children's Services has an annual fiscal pressure of \$7 million which includes 1% pay equity costs which operators are mandated to pay. This will accumulate to \$23 million in 2014.
- The City has been funding the shortfall through a reserve fund that will be depleted in 2014. The Province occasionally provides the City with one time funds which tends to come near the year end and allowed the Division to reduce its projected draw on the reserve.
- The actual provincial share is below the prescribed ratios of 80/20 for program and 50/50 for administration. The current provincial contribution for base expenditures is 72% for program and 39% of administration on the areas of the budget that are cost shared.
- If not addressed, 2,300 subsidized child care spaces will be lost in 2014, with additional losses of 700 spaces annually until indexing is addressed. Reductions would be made through attrition.
- With the move of child care to the Ministry of Education, Children's Services has asked that indexing apply to child care as it currently applies to school board funding. School Board allocations for 2011-12 have increased by 3.8%.
- Indexing of current child care funding would extend the child care reserve fund to beyond 2015.

The table below illustrates the actual contributions of the City, Province, Reserve Funds and Parental Contributions to Children's Services total expenditures between 2007 and 2011.

2007-2011 Actual Expenditures by Funding Source						
(\$000's)						
	2007	2008	2009	2010	2011	2012 Proj.
City Net	68,486.7	67,343.7	69,586.8	72,675.4	76,051.2	77,746.0
Child Care Expansion Res .Fund. - Shortfall Funding	-	-	744.5	910.8	307.3	6,648.6
Other Reserves and Reserve Funds (Capital Reserve Fund, Social Services Stabilization Fund (ARC))	3,131.5	837.8	7,843.9	5,239.9	2,750.5	7,382.0
Province	247,089.6	269,021.0	268,950.7	270,461.0	271,053.6	281,371.3
Parental Contributions	17,272.8	15,687.7	18,180.6	20,049.3	21,121.1	17,871.5
TOTAL	335,980.8	352,890.1	365,306.5	369,336.4	371,283.7	391,019.4
Notes:						
Excludes Trsfers from Capital Fund						
2012 subsidy Increase relates to new funding for FDK of which \$5.7 million is one-time in nature..						
City Net includes Children's Services Net and City's share of the STEP and ACSUB provincial programs.						

Improving Equity:

Equity has been traditionally measured and controlled at the ward and age level, what is traditionally referred to as age and geographic equity, with a target to improve geographic equity at the individual ward level so that each ward is within 10 per cent of its equity target by 2014.

Due to the limited number of fee subsidies, Toronto City Council approved the equitable distribution of these subsidies whereby each City ward receives a share of the 24,000 full time fee subsidies based on the proportion of children in the ward who are living below the low-income cut-off (LICO). The spaces are then allocated by age, with a set percentage being assigned to each age group.

Age equity targets are established to ensure equitable access to all children. To ensure equitable access to the youngest and most vulnerable, the City has set target levels to improve access of care for the youngest children, 0-4 years old. Substantial investment in new facilities is a key factor in achieving age equity as is the availability of fee subsidies.

This table illustrates the spaces allocated, enrolled and required for infant, toddler and preschool age groups needed to achieve age equity.

Infants			Toddlers			Preschool		
Equity	Enrolled	Under Equity	Equity	Enrolled	Under Equity	Equity	Enrolled	Under Equity
2700	2013	687	4500	3749	751	6000	5630	370

With more then 22,000 families waiting for child care subsidies, the demand is evident, but the capacity to fund subsidies is limited. Currently, infant, toddler and preschool spaces are under their equity. Equity can be improved with a increase of fee subsidies and capital investment to increase capacity to serve these age groups.

The cost to improve equity by 1% for each age group – based on average cost of age group is as follows:

Infant: 1% of the equity is 27 spaces at an average cost of \$18,572 = \$501,443

Toddler: 1% of equity is 45 spaces at an average cost of \$15,283 = \$687,735

Preschool: 1% of equity is 60 spaces at an average cost of \$11,812 = \$708,720

Cost in subsidies to improve equity by 1% for infant, toddler, and preschool age groups by 1% combined is \$1,897,898. Additional capital investment would be required in some areas of the City to create physical child care spaces. These costs vary depending on the nature of construction, with the reconfiguration of existing space being significantly less costly than constructing new facilities.

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