

### **Children's Services Amendment to the 2018 Budget Committee Recommended Operating Budget to Reflect Increase in Provincial Contributions**

**Date:** February 1, 2018

**To:** Executive Committee

**From:** General Manager, Children's Services

**Wards:** All

#### **SUMMARY**

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This report seeks approval to amend the 2018 Budget Committee Recommended Operating Budget for Children's Services to reflect an increase of \$21.809 million in provincial and federal funding comprised of: \$8.695 million in provincial and federal funding for growth and expansion of the child care, which is in addition to the funding already included in the 2018 Budget Committee Recommended Budget; \$3.453 million in the Provincial Wage Enhancement program; the introduction of a new Fee Stabilization program of \$2.768 million; and \$6.893 million to support the new Journey Together Program.

The new provincial and federal expansion funding of \$8.695 million is provided for investment above the 2017 Service Levels, primarily for children aged 0-4. Expansion funding must focus on increasing access to affordable child care, supporting additional fee subsidies, providing increased access to service and broadly reducing licensed child care fees.

To support the success of rapid growth, system planning and implementation, the province is providing municipalities with the ability to transfer 10 per cent of the 2018 federal expansion funding to 2019 to support programming through December 31, 2019, in order to meet prescribed targets.

This report recommends amendments to the 2018 Budget Committee Recommended 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**

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The General Manager, Children's Services recommends that:

1. City Council amend the Children's Services 2018 Budget Committee Recommended Operating Budget by \$21.809 million gross, \$0 net and the associated Service Levels, with the following allocations:

- a. an increase of \$3.453 million gross, \$0 net for the Provincial Wage Enhancement program, fully funded by the province;
- b. an additional \$2.768 million gross, \$0 net for the Fee Stabilization Support program, fully funded by the province;
- c. an additional \$6.893 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. an additional \$5.474 million gross, \$0 net for an increase of 550 fee subsidies for children 4-12, fully funded through the province and federal support;
- e. an additional \$0.876 million gross, \$0 net for Specials Needs Resourcing, fully funded by the province;
- f. an additional \$2.0 million gross, \$0 net in operating funding to be used for community based capital grant projects, fully funded through the province and federal support; and
- g. an additional \$0.345 million gross, \$0 net in administration to administer two new provincial programs introduced in 2018, 100% provincially funded.

2. Authorize the General Manager, Children's Services to receive the funding from the Province of Ontario for the new Journey Together and Fee Stabilization Support programs, 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**

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In December 2017, the City received notification of its 2018 funding allocations from the Ministry of Education, which will increase funding for system expansion, increase Provincial Wage Enhancement funding, add a new Fee Stabilization Support program and provide funding for the new Journey Together Program.

This report seeks to amend the 2018 Budget Committee Recommended Operating Budget to reflect the increase in provincial and federal funding of \$21.809 million, as reflected in Table 1 below:

Table 1 - The additional provincial/ federal funding will result in the following changes to the Budget Committee Recommended 2018 Operating Budget

	(in \$000's)		
	Gross	Revenue	Net
<b>2018 BC Recommended Budget</b>	<b>599,600.9</b>	<b>516,910.4</b>	<b>82,690.5</b>
Wage Enhancement	3,452.5	3,452.5	0.0
Fee Stabilization Support	2,768.0	2,768.0	0.0
The Journey Together Program	6,893.5	6,893.5	0.0
550 Additional Fee Subsidies	5,474.0	5,474.0	0.0
Special Needs Resourcing	876.0	876.0	0.0
Community Based Capital Grant	2,000.0	2,000.0	0.0
Administrative Funding to Support New Programming	344.8	344.8	0.0
<b>2018 Incremental Provincial/Federal Funding</b>	<b>21,808.8</b>	<b>21,808.8</b>	<b>0.0</b>
<b>Amended 2018 BC Operating Budget</b>	<b>621,409.7</b>	<b>538,719.2</b>	<b>82,690.5</b>

Given that new federal funding for growth must be invested by December 31, 2018 any unspent funds will be transferred to the Child Care Expansion Reserve Fund (XR1101) for use in 2019 to meet provincially mandated expansion targets.

Any impact on the City's tax base resulting from the increase in provincial funding will be considered as part of the 2019 budget process subject to the division's capacity to deliver the expanded programming.

The Acting 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**

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### **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 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 reduction in 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

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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 address 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>)

The Growth Strategy sets out a vision that in ten years (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. The Strategy estimates that 30,000 additional child care spaces for children under the age of four will be required to serve 50 per cent of children by 2026.

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, " A Growing Concern: 2016 child care fees in Canada's big cities" have also highlighted the high cost of child care in Toronto.

The Child Care Growth Strategy - Phase One Implementation provides 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 and federal expansion funding is an enveloped allocation and can only be invested on expenditures over and above the previous year's base expenditures, primarily for children aged 0-4 years. Any funding not spent on the prescribed expenditures will be recovered by the Ministry. To support the success of this commitment and to allow for sufficient local planning, the ministry is allowing municipalities to transfer up to 10 per cent of federal expansion resources for programming in 2019 in accordance with Provincial direction.

Expansion plan funding is intended to address local needs and must be spent to support additional fee subsidies and increased access to child care. If these two priorities cannot be met due to local considerations, funding may be used to broadly reduce licensed child care fees and increase affordability for children aged 0-4 years. A portion of federal expansion funding can be allocated for capital projects and to support additional fee subsidies for children 0-12 years.

### **Impact of 2018 Additional Provincial Funding Allocation**

Table 2 below outlines the funds available for investment in Toronto and recommends the allocation of the funds for maximum impact across the sector as noted below. New investments for designated programming do not require municipal cost sharing.

Table 2 – 2018 Funds Available for Investment

	(\$Millions)
Provincial Wage Enhancement Adjustment	\$3.453
Fee Stabilization Support	\$2.768
The Journey Together Program	\$6.893
<b>Total Designated Funding</b>	<b>\$13.114</b>
Increase KG and School age subsidies by 550 spaces	\$5.474
Special Needs – Legislated	\$0.876
Community Capital Grants	\$2.000
Expansion Administration	\$0.345
<b>Funds Available for Expansion</b>	<b>\$8.695</b>
<b>Total Funds Available for Investment</b>	<b>\$21.809</b>

\*Note: The designated funding is provided by the Province and flows directly to the operators.

## Designated Funding

The Provincial Wage Enhancement grant is an ongoing funding commitment by the province to support wage enhancement for eligible child care professionals working in licensed child care settings. The wage enhancement helps to close the gap between registered early childhood education (RECEs) working in full-day kindergarten programs and RECE's and other program staff working in licensed child care settings. In 2018, the current wage enhancement salary cap of \$26.68 will be increased to \$27.07 per hour. The daily fee cap for Home Child Care providers will increase from \$266.80 to \$270.70 per full day. Children's Services as the Service System Manager for the City of Toronto, administers and manages this 100 per cent provincially funded grant in accordance with provincial policy and guidelines. In 2018, funding for the program increase by \$3.45 million to address increases in the wage and daily fee caps for child care professionals.

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 is enveloped and may only be used to increase hourly wages of licensed child care staff currently earning under \$14 an hour. As the Service System Manager, Children's Services must manage implementation of the program, distribution of the funds, and ensure reporting requirements are met. In order to be eligible for funding operators must demonstrate the percentage change in child care fee increases avoided in 2018, as compared to

2017. The City's allocation for the Fee Stabilization Support program is \$2.76 million in incremental funding for the first quarter of 2018.

On May 30th 2016, the Province of Ontario announced The Journey Together: Ontario's Commitment to Reconciliation with Indigenous Peoples. 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 over the next two years.

As reported to the Community Development and Recreation Committee on September 11, 2017 (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD22.4>) project proposals were jointly submitted to MEDU by Toronto Children's Services and local Indigenous planning partners under the Journey Together Initiative on September 29, 2017. On December 4th 2017, Children's Services was informed that the City of Toronto has received an allocation of \$6,893,497 for 2018 and \$4,067,606 for 2019. 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.

### **Funds Available for Investment**

A portion of federal funding can be allocated to fee subsidies for children age 4 to 12 years old. In response to significant expansion of close to 5,000 kindergarten and schoolage spaces in September 2017, 550 new fee subsidies for kindergarten and schoolage children will be added, with \$5.474 million in new provincial funding. This will improve access to fee subsidies for all families and ensure adequate subsidies are available as younger children age into kindergarten and schoolage programs.

As more families have access to licensed child care, the number of children with extra support needs is expected to increase. Additional funding to increase services for these children is legislated and included to ensure that all children have access to the system, in accordance with the City's "Every Child Belongs" policy.

The 2018 federal allocation can be used to create and support new not for profit community-based capital projects in order to increase licensed child care spaces. Children's Services will continue to work with community partners to increase the number of licensed spaces available and has allocated \$2.0 million for community capital grants for retrofits and renovations in 2018.

Additional resources of \$0.345 million to administer the Fee Stabilization Support program and the Journey Together Program will be funded through the administration component that is included in the provincial funding allocation for this purpose, with up to 10 per cent allowable for implementation. Currently Children's Services uses approximately seven per cent of its budget for administration, which is below the ten percent allowable.

## **CONCLUSION**

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The recommendations included in this report request authority to amend the 2018 Budget Committee Recommended Operating Budget for Children's Services by \$21.809 million gross and \$0 net to reflect the incremental provincial and federal funding announced in December 2017, which is not currently included in the 2018 Budget Committee Recommended Operating Budget.

## **CONTACT**

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## **SIGNATURE**

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## **ATTACHMENTS**

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