



Children's Services Report on 2019 Provincial and Federal Budgets

Date: June 20, 2019

To: Economic and Community Development Committee

From: Deputy City Manager, Community and Social Services

Wards: All

SUMMARY

This report responds to a request arising from City Council's approval of the 2019 Operating Budget for Children's Services, for the Deputy City Manager, Community and Social Services to report to the Economic and Community Development Committee following the release of the 2019 provincial and federal budgets.

This report also provides information on an April 26, 2019 memo from the Ministry of Education to child care and early years service system managers and school boards requesting joint confirmation that school-based child care capital projects proposed since November 2016 can proceed.

RECOMMENDATIONS

The Deputy City Manager, Community and Social Services recommends that:

1. City Council request the Province to adjust the process regarding school-based child care capital projects that have not received Approval to Proceed (ATP) from the Ministry of Education by:
 - a. taking into consideration municipal annual budget approval requirements and allowing municipal councils the opportunity to consider and approve any operating and financial impacts associated with these new capital projects; and,
 - b. extending the deadline of August 30, 2019 to at least October 31, 2019 for service system managers and school boards to jointly confirm priority school-based child care capital projects on a preliminary basis subject to a municipal council's annual budget approval process.

FINANCIAL IMPACT

This report has no financial impacts.

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

DECISION HISTORY

With the approval of EX2.5 "2019 Capital and Operating Budget" on March 7, 2019, City Council adopted the following:

"7. City Council reaffirm its ongoing commitment to funding 20 percent of child care growth operating costs and request the Deputy City Manager, Community and Social Services to report back to the Economic and Community Development Committee following the release of the 2019 Provincial and Federal budgets."

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.5>

COMMENTS

Federal Budget

On March 19, 2019, the federal government tabled its 2019 budget. The budget document noted that leading into 2020, the federal government will negotiate renewed early learning and child care agreements with provinces and territories, while seeking additional investments, more transparency, and better outcomes from underperforming partners.

Federal funding has been an important part of City Council's Child Care Growth Strategy in recent years. Since 2017, the City of Toronto has received \$28.6 million annually through the Canada-Ontario Early Learning and Child Care Agreement. This funding is used to fund fee subsidies, the expansion of new licensed child care spaces and improve affordability for all families. The renegotiation of this agreement will be important for the sustainability of growth in the child care sector.

Provincial Budget

On April 11, 2019 the provincial government released its 2019 budget. The budget document included two significant child care announcements. First, it introduced the Childcare Access and Relief from Expenses (CARE) tax credit, which is in effect for the 2019 tax year. Families with household incomes of up to \$150,000 will be eligible, and the Province has reported that the average annual tax credit benefit per family will be about \$1,250.

Second, the Budget included a promise to create up to 30,000 new child care spaces in schools over five years. Further details about current plans for capital development in schools are included below in the section titled "Capital Projects".

The provincial budget announcement did not include the City's detailed allocation from the Ministry of Education or updated Service System Management and Funding Guidelines. This prevented a full financial and service impact analysis from being conducted.

Provincial Transfer Payment Agreement and Service System Management Guidelines

On April 18, 2019, the Ministry of Education distributed a memo which proposed a reduction in funding for programs and services and policy changes that would impact child care funding levels. Subsequently the Ministry made revisions and delayed some policy changes to 2020. The intent of the delay is to provide municipalities additional time to plan accordingly and find savings and efficiencies prior to those funding and policy adjustments coming into effect.

On June 7, 2019, a revised allocation memo, including Transfer Payment Agreement details and updated Guidelines, was received. The City of Toronto's 2019 allocation is similar to the 2018 allocation. Key changes within the allocation include:

- A reduction in base allocation funding of \$3.121 million primarily related to a proportionate decrease in the City's contribution compared to overall provincial funding.
- An increase in expansion plan funding of \$11.046 million to support operating costs for 17 previously-approved school based capital projects in Toronto. This funding will be applied to fee subsidies for eligible families and/or general operating funding, which reduces fees for all families.
- The end of the Fee Stabilization Support Program, with funding provided to March 2019, resulting in a reduction of \$8.305 million. This one-time funding is flowed through to the community on an application basis and is intended to help child care operators meet minimum wage requirements.
- A reduction in the Wage Enhancement program of \$0.408 million intended to assist child care operators in improving salaries for the child care workforce. This is an application based program, and funding will only be provided up to the Provincial allocation. The Province increased the wage benchmark from \$27.07 to \$27.47 an hour.

Details are shown in the table below:

Description of Program Area	Allocation		Change from 2018	
	2018	2019	\$	%
Total - Base Allocation	307,121,044	303,999,271	(3,121,773)	(1.0%)
Expansion Plan - Provincial	63,920,173	74,966,213	11,046,040	17.3%
Expansion Plan - Federal	28,671,036	28,671,036	-	-
Total - Child Care Allocation	399,712,253	407,636,520	7,924,267	2.0%
Fee Stabilization Support	11,072,646	2,767,542	(8,305,104)	(75.0%)
Wage Enhancement	45,091,182	44,682,740	(408,442)	(0.9%)
Total Funding - MEDU Agreement	460,331,756	461,013,902	682,146	0.1%

The June 7, 2019 memo confirmed that previously-announced changes to municipal cost-sharing requirements and the City's maximum administration threshold will come into place effective January 1, 2020. The memo also noted that the Ministry would be considering changes to the child care funding formula, and working on a new child care plan, in 2019. Children's Services' financial pressures in relation to these changes will be addressed through the 2020 budget process.

Capital Projects

On April 26, 2019, the Ministry of Education sent another memo to child care and early years service system managers and school boards regarding school-based capital projects. These are projects for which the Province provides 100 percent capital funding to school boards to create new child care spaces within schools. The school board must work with service system managers to identify and prioritize projects.

The memo provides that the Ministry will make available dedicated multi-year operating funding upon opening for certain school-based child care capital projects as long as they have received an Approval to Proceed (ATP) from the Ministry, or if they are in a new school or part of a major school addition/renovation and do not have an ATP. This operating funding would be applied to fee subsidies for eligible families and/or general operating funding, which reduces fees for all families. The confirmation of operating funding will allow for 17 proposed child care capital projects in Toronto, representing 1,153 spaces, to proceed.

For 51 other school-based child care capital projects proposed since November 2016, the Ministry has asked service system managers and school boards to jointly confirm that the projects can proceed. This would require Children's Services to confirm that any required operating funding for the new child care capital spaces would be managed from within Children's Services' existing operating budget, not through new provincial operating funding. The province's April 26, 2019 communication advises that if joint confirmation of the 51 projects (by the City as service system manager and the school board) is not received by August 30, 2019, the projects will not proceed.

Given the current fiscal environment, including expected funding reductions and policy changes in 2020, and the fact that these 51 projects will not be started or completed until 2020 or later, Children's Services is not able to commit to future operating funding for these 51 new projects. Any commitment for additional and future operating funding is subject to Council approval through the annual budget process. Without ongoing operating funding, access for families to these programs and therefore the viability of these programs cannot be guaranteed. As a result, 51 additional projects, representing about 3,049 spaces, cannot be supported by Children Services at this time. The annual operating impact of these capital projects is estimated to be approximately \$35 million once all of the additional spaces are completed and operational. The deadline for jointly confirming this information to the Province is August 30, 2019.

This report recommends that the Province be requested to amend the process for joint confirmation of child care capital projects by taking into consideration Council's annual budget approval process, and by extending the deadline from August 30, 2019 to at least October 31, 2019 for the City (as service system manager) and the school board to confirm priority projects on a preliminary basis subject to Council's annual budget approval process.

An extension to the deadline would allow Children's Services to have more insight into its expected financial opportunities and pressures in 2020 and future years, and would allow sufficient time to properly assess and prioritize the 51 projects.

Children's Services is also monitoring potential changes to the Planning Act and how they might affect future opportunities for expanding the child care system.

EarlyON Centres

With the June 7, 2019 memo, the Ministry also provided updated guidelines for EarlyON child and family programs. Key changes include reflecting previously-announced changes that allow EarlyON programs to provide respite care and allowing special needs resourcing consultants to provide service to EarlyON Centres. The guidelines also clarify that a new grand-parenting provision that would allow non-RECE staff to continue to work in these centres only applies to staff who have been employed for 10 or more years by the same EarlyON Centre. There has been no change in funding for EarlyON centres in 2019.

Over the coming months, the City will be participating in provincial/municipal program specific tables with fiscal sustainability as the key priority. Children's Services will continue to work with the Province and service provider partners to manage and implement changes to Toronto's child care and early years system.

CONTACT

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SIGNATURE

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