TORONTO

Shanley McNamee
General Manager, Children's Services

Giuliana Carbone
Deputy City Manager, Community & Social Services

Children's Services
Metro Hall, 10th floor
55 John Street
Toronto, Ontario M5V 3C6

Tel: 416-392-8128
Fax: 416-397-4518
Shanley.McNamee@toronto.ca
www.toronto.ca

2021 OPERATING BUDGET BRIEFING NOTE
Options to Support Financial Sustainability of Early Years' and Child Care Sector and Update on Growth Strategy

Issue/Background:

- This briefing note responds to a request from Budget Committee (Motion 3) for the General Manager, Children's Services to prepare a briefing note on:

  1. New investments required from other levels of government in 2021 to stabilize the child care and early-years sector including funding for:
     a) enhanced cleaning;
     b) additional Personal Protective Equipment beyond what the Ministry of Education is supplying directly;
     c) additional staffing to meet COVID-19 health and safety requirements;
     d) additional administration costs and to address short-term vacancies due to lower enrollment and mandatory closures as programs return to a full resumption of spaces and services; and
     e) options for flexible funding models that allow the City to repurpose committed 2021 Provincial and Federal funding and opportunities to access existing childcare reserve funds for the purpose of stabilization.

  2. The current strategy and assumptions on how to achieve growth plan targets and timelines and the resources needed from all levels of government to achieve this plan.

- Child care centres are continuing to respond to the emergency created by the COVID-19 pandemic. Programs are facing added costs associated with enhanced operating guidelines and are experiencing additional financial pressures as a result of lost revenues due to lower enrollment

- During the first wave of the pandemic, the provincial government mandated the closure of early years' and child care programs except for designated emergency child care centres for children of eligible, essential workers. The resurgence in the pandemic has required the closure of school-age child care programs beginning in January and reintroduced a new emergency child care program in Toronto. Prior to these closures, over 94% of Toronto's licensed child care centres had reopened, operating at approximately 57% enrolment compared to pre-COVID-19 levels

- In the immediate term, the sustainability of the existing child care system continues to be a critical component to supporting the safe restart of the economy. Looking ahead, there is also a need to grow access to an affordable, high-quality system that supports all families and recognizes the importance of a strong, appropriately compensated workforce of child care professionals

- 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 and the support of the child care workforce. City Council confirmed its ongoing commitment to funding 20 percent of child care operating costs subject to budget approval

  - City Council adopted the recommendation to request the Province of Ontario to consider new investments to increase compensation for the early years workforce and improve recruitment and retention, recognizing the essential service that these workers have provided during the COVID-19 pandemic and in supporting economic recovery (2020.EC17.12)

Key Points:

- Based on preliminary estimates, it is assumed the sector could require an additional $142.5 million to support the financial viability of operators, including incremental cost pressures related to PPE, enhanced staffing and provincial operating guidelines
  - Primarily driven by potential revenue loss from subsidized and full fee paying parents while service levels gradually return to pre-pandemic levels and is dependent upon several variables, including individual operator business decisions, their ongoing eligibility for federal and provincial support programs, additional or extended mandatory closures, and the continued rollout of the vaccine

- In 2020, the provincial government introduced several funding approaches which repurposed existing fee subsidy funding to support the early years' and child care sector. Fee subsidy funding was underutilized during this time due to the mandated closure of child care from March to June. These funding models were designed to be combined with available federal support programs, which operators are required to maximize where eligible
- One-time federal Safe Restart Funding of $47.5 million received in 2020 was specifically targeted for early years' and child care to support enhanced staffing, cleaning, PPE, and administrative costs, while also supporting revenue losses as a result of lower enrollment
- To date, neither the provincial nor federal governments have committed to providing incremental funding to respond to COVID expenditures beyond approved 2021 funding allocations
- Supports of $142.5 million could be required from the other levels of government for the duration of the pandemic in order to protect existing capacity and meet the diverse needs of families. A combination of approaches can be used to sustain a stable, ongoing funding strategy for the sector:
  - New investments from the provincial and/or federal governments, including additional funding through Safe Restart

    - Additional funding flexibilities to allow for already committed funding to be repurposed by Children's Services to address emergent financial pressures, including targeted support for high needs communities
    - As a backstop solution, draws on the Childcare Expansion Reserve, if required, could provide additional contingency funding. It is recognized that exclusive use of the reserve is not sustainable, as the balance of approximately $36.9 million would be completely exhausted and unavailable to support future growth should no other supports be provided
    - Similarly to 2020, the success of any funding approach is contingent upon the availability of, and operator eligibility for, provincial and federal support programs

- Prior to the pandemic, the child care system was characterized by high demand and insufficient access to spaces. The pandemic has caused a temporary reversal – there are spaces and subsidies available, and insufficient demand to fill them at this time
- With no new provincial or federal funding related to growth in 2020 or 2021, priority has been given to supporting the immediate financial viability of the sector, while limiting progress on expansion of fee subsidies, which will likely extend the original timeline outlined in the Growth Strategy beyond 2026
- Capital expansion to add new spaces continued in 2020 and will continue in 2021 and beyond. Children's Services' 2021-2030 Capital Budget and Plan Request includes funding for 16 new child care centres, adding more than 1,000 spaces over the next three years
- The Growth Strategy recognizes that access to high quality child care programs is heavily dependent on the availability of a strong, appropriately compensated workforce of child care professionals. The pandemic has exacerbated already existing challenges with staffing, including recruitment, retention, and absences
- To date, intergovernmental requests have been made for new investments of approximately $1.4 billion in capital funding to create 30,000 child care spaces, along with approximately $70.0 million in operating funding to improve access and affordability of child care, consistent with the goals outlined in the Growth Strategy
- The City welcomes recently announced federal commitments to lay the groundwork for a Canada-wide child care system including funding for a Federal Secretariat on Early Learning and Child Care, and stable funding beyond 2028, a commitment beyond its original 10-year plan at the launch of the Federal-Provincial Early Learning and Child Care Agreements in 2016
- Children's Services will report back in 2021 on the progress made to date on the Growth Strategy and provide recommendations with respect to the implementation of Phase 2, including updated timelines and costs, taking into consideration the impact of the pandemic. The report will build upon the learnings from the first phase while considering the current environment, risk factors, and supports needed to promote the equitable recovery of the sector and ready it for growth

Questions & Answers:

Q - What new investments, if any, were included in the 2021 Budget Submission to address the financial pressures for child care operators?

A - While Children's Services' 2021 proposed Operating Budget includes approximately $7.5 million in new investments to mitigate financial pressures arising from the pandemic, it does not include sufficient contingency to replace all the funding available from federal and provincial support programs.

Q – How was Safe Restart Funding of $47.5 million used by operators in 2020? How much of the Safe Restart Phase 2 request to the Federal/Provincial government is for child care?

A – Safe Restart Funding received in 2020 was provided with specific eligible expenditure criteria to support financial pressures related to the pandemic, including for enhanced staffing and cleaning, PPE, administrative costs, and supports for short-term vacancies. Operators were given the flexibility to determine how best to allocate this funding within eligible categories based on emergent need and individual operator business decisions. Approximately $3.1 million was included in the Phase 2 request to support costs for PPE beyond what is being provided by the Province of Ontario.

Q - How have child care operators been supported through the pandemic?

A - Children's Services has provided predictable, base funding and stability grants to operators with a purchase of service agreement to support operating pressures and preserve investments in affordability for all families. Operators without a purchase of service agreement applied directly to the Province for funding supports. In addition, the Division provided training, developed communities of practice, and implemented mentoring visits for the entire sector to support enhanced health and safety initiatives.

Q – How has the pandemic affected the needs of families for child care?

A - Families are facing significant uncertainty and care needs will depend on the progression of the broader pandemic and economic recovery. With the introduction of virtual learning and a larger proportion of people working from home, some families' need for care may be temporarily suspended. Women are over-represented in sectors most affected by the pandemic and also tend to be employed in more precarious positions. This inequity is even more pronounced for racialized women, and lone-parents (62 percent of existing fee subsidy clients today are lone-parent households). In addition, many workers are "underutilized", looking for work but unable to find it, or working less than half their usual hours. These factors will continue to have an impact on how families access child care.

Prepared by: Sharon Lam, Director, Strategic Business and Financial Services, Children's Services, 416-392-8284 & Sharon.Lam@toronto.ca

Further information: Shanley McNamee, General Manager, Children's Services, 416-392-8134 & Shanley.McNamee@toronto.ca

Date: January 22, 2021