

Growth and Expansion in Toronto's Licensed Child Care Sector: Update

Date: November 13, 2023

To: Economic and Community Development Committee

From: General Manager, Children's Services

Wards: All

SUMMARY

This report provides an update on Children's Services progress on expanding the licensed child care system, including the number of spaces constructed since the adoption of the Licensed Child Care Growth Strategy ("Growth Strategy") in 2017 and the capital funding sources that have supported the creation of these child care spaces. It also provides an update on Children's Services application process for the expansion of child care as part of the Canada-wide Early Learning and Child Care (CWELCC) Directed Growth Plan.

RECOMMENDATIONS

The General Manager, Children's Services recommends that:

1. City Council request the Federal and Provincial Governments to consult with the City and provide capital funding to reflect the regional costs of developing child care spaces in Toronto; and provide capital expansion funding required to meet CWELCC targets in the not-for-profit and public sector for Toronto set out in the Province's Access and Inclusion Framework and the City's Growth Strategy.
2. City Council request the Province of Ontario to develop a workforce strategy for the early years and child care sector that includes an investment to increase wages and benefits to levels comparable to positions in the public sector.

FINANCIAL IMPACT

Between 2017 and 2022, the City of Toronto has added 4,598 licensed infants, toddlers, and preschool childcare spaces.

Children's Services continues to maximize opportunities to support the creation of new, high quality, affordable, child-care spaces by collaborating with its government, school board, and community-based partners. The 2023-2032 Council Approved Capital Budget and Plan for Children's Services is approximately \$78.2 million, funded in partnership with the Ministry of Education, contributions from developers, and funding from the City of Toronto.

Children's Services continues in its requests of the other orders of government for sustainable multi-year operating and capital funding to achieve the vision laid out in the Growth Strategy, increasing access to affordable child care programs, improving workforce compensation, and to support affordability for families.

Any incremental operating funding to support child care expansion in school and community-based spaces under the Province's Access and Inclusion Framework will be allocated as targets are approved, with no required financial contribution from the City. Children's Services will provide an update with the financial impacts and funding status, including potential budget adjustments fully funded by the Province, through the 2024 budget submission process.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

EQUITY IMPACT

Child care is critical infrastructure that supports the healthy development and wellbeing of children, contributes to poverty reduction, and supports increased workforce participation, particularly for women. The benefits of child care on children's learning, health, and social development are greatest for communities experiencing high inequities. The Licensed Child Care Growth Strategy aims to improve affordability for families and wages in the early years workforce. The Canada-Wide Early Learning and Child Care (CWELCC) agreement and the Province's Access and Inclusion Framework also seek to improve affordability and access to quality, licensed child care for Toronto families, and make investments in the early years workforce.

DECISION HISTORY

On June 14 and 15, 2023, City Council requested the General Manager, Children's Services to report to City Council, through the Economic and Community Development Committee, by November 28, 2023, on the number and capital funding source of new child care spaces constructed since the adoption of the Licensed Child Care Growth Strategy (the Strategy) in 2017, as well as an update on the progress of child care expansion as it relates to the Strategy.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EC4.3>

On July 19, 2022, City Council requested that the Province of Ontario engage with the City of Toronto in the development and implementation of the Canada-Wide Early Learning and Child Care System and revised Funding Formula to: support the goals of the Licensed Child Care Growth Strategy; provide increased capital and operating funding to expand capacity in the non-profit sector; preserve local authority of service system managers, update fee subsidy income thresholds, and respond to workforce challenges.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EC31.8>

On June 8 and 9, 2021, City Council direct the General Manager, Children’s Services to continue to invest funding from all levels of government in the targets identified in the Child Care Growth Strategy to increase capacity, improve affordability and support the workforce and to report to City Council, through the Economic and Community Development Committee, once the new funding commitments and eligibility criteria are confirmed.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.EC22.2>

On November 7, 8, and 9, 2017, City Council adopted a report titled “Child Care Growth Strategy – Phase One Implementation (2017 – 2019)” which provided specific objectives for implementation of the first phase of the 10-year Child Care Growth Strategy in areas of capital, affordability, and wages.

<https://secure.toronto.ca/council/agenda-item.do?item=2017.CD23.5>

On April 26, 27, and 28 2017, City Council adopted the 10-year Child Care Growth Strategy.

<https://secure.toronto.ca/council/agenda-item.do?item=2017.CD19.2>

COMMENTS

Licensed Child Care Growth Strategy Implementation: Update

The City of Toronto is committed to the expansion of high quality, affordable, and accessible child care. Toronto’s Licensed Child Care Growth Strategy (“Growth Strategy”) was adopted by City Council in 2017 and set a 10-year vision for child care in Toronto. Founded on three key pillars to build capacity to meet demand, improve affordability for families, and support a thriving workforce, the Growth Strategy has been a key driver for growth and expansion of child care in the city of Toronto.

At the time of its release, the vision of the Growth Strategy was to create 30,000 more licensed spaces (for a total of 70,000 spaces) to serve 50 percent of children aged 0-4 in Toronto by 2026. This was informed by research conducted to develop the Growth Strategy, which confirmed that reductions in child care fees lead to increases in demand and create a need for more spaces in the system. Implementation of the Growth Strategy began in 2017 and can be broken down in three phases. An update on Phase

One (2017-2019) was provided to Council in 2021. This report covers Phase Two (2020-2022). From 2023-2026, Toronto Children’s Services is leveraging new investments made available from the federal and provincial governments, which will advance Growth Strategy objectives.

The Growth Strategy is aspirational and calls on funding from all three orders of government to achieve the Growth Strategy vision. Children’s Services relies on sustainable multi-year capital and operating funding to support increases in capacity, reduction of fees, improve wages, and increase the number of available fee subsidies.

By the end of 2022, the city of Toronto added 4,598 spaces for a total of 41,035 spaces for infants, toddlers, and preschool children in the centre-based licensed child care system (Table 1, “Capital growth in licensed child-care centres”). These additional spaces represent approximately 15.3% of the 10-year Growth Strategy expansion target of 30,000 new spaces and an increase in capacity of 12.6% since 2017. Attachment 1, Capital Growth for Early Years Child Care Spaces by Ward, 2017 and 2022, illustrates the change in the number of infant, toddler, and preschool spaces as a percentage of the children age 0 to 4, mapped by ward June 2017 and December 2022, respectively.

Table 1: Capital growth in infant, toddler, and preschool (ITP) spaces in licensed child-care centres, 2017-2022

	Number of ITP Spaces
Total Capacity, 2017	36,437
Total Growth (Capital Growth + Other Expansions)	4,598
Capital Growth	1,907
Other Expansions	2,691
Total Capacity, 2022	41,035

Note: The Growth Strategy targets spaces for children aged 0-4. This table includes centre-based child care spaces for infants, toddlers, and preschool age groups, which may include some children over the age of 4.

Increases in capacity are achieved through a combination of City investments in its 10-year Capital Budget and Plan, contributions from developers, investments from the federal and provincial governments, and in partnership with school boards (see “Capital Growth” in Table 1). In addition, the licensed child care sector may expand and contract where community-based operators open and close centres and retrofit or re-purpose existing spaces on an annual basis (see “Other Expansions”).

Since 2017, the Federal and Provincial governments have invested approximately \$15.1 million in capital funding to support growth in child care spaces, while the City of Toronto contributed approximately \$26.6 million. These investments combined resulted in capital growth of 1,907 spaces since 2017. In addition to these amounts, the Ministry of Education also directly funds school-based child care development. The capital growth since 2017 includes 860 spaces based in schools.

Children’s Services recognizes the pivotal role school boards play in adding to overall child care capacity. School boards are important partners in the growth of child care,

which is consistent with the Province's Schools-First Child Care Capital Retrofit policy that directs construction of new child care spaces in schools where possible. Child care expansion in schools is contingent upon school boards' submissions to the Province and approval by the Ministry of Education. Children's Services collaborates with school boards to identify sites for their submission but does not control the funding, completion timelines or building processes for child care in schools.

Children's Services continues to seek opportunities to support the creation of new child-care spaces by collaborating with the Provincial government, school boards, and community-based partners. There are approximately 8,455 additional spaces in the development pipeline in various stages of planning, design, and construction. These spaces will be funded in partnership with the Ministry of Education for approved school-based expansions, and through contributions from developers and Children's Services Council-approved 10-year Capital Budget and Plan, which includes funding of approximately \$78.2 million.

The Federal Government announced the establishment of the Early Learning and Child Care Infrastructure Fund on June 28, 2023. This Fund is intended to help cover capital costs (e.g., real estate and building materials) for public and not-for-profit child care operators. ¹The Fund will provide \$625 million to the provinces and territories. To date, no further details about the Fund have been released. While federal investment in capital is welcome, Toronto's capital needs alone exceed the total amount of the Fund. Children's Services estimates that an incremental capital investment of \$850.0 million (in 2023 dollars) is required to meet Toronto's expansion targets under the Canada-wide Early Learning and Child Care Agreement.

Progress of Canada-Wide Early Learning and Child Care Expansion: Update

Expansion of the child care system in Toronto is further supported by the Canada-Wide Early Learning and Child Care (CWELCC) agreement. Currently in the second year of a five-year plan, the CWELCC agreement is being implemented in stages to make child care more accessible and affordable for children under the age of six. Fees are expected to be reduced over the duration of the plan, reaching an average fee of \$10 per day across the province by the end of fiscal year 2025-2026.

Toronto Children's Services staff requested that the Province allocate enough CWELCC operating funding to enable the City to meet its Growth Strategy target. Through a memo dated May 24, 2023, the Province notified the City of Toronto that its 5-year expansion/growth allocation consisted of 18,177 CWELCC-funded spaces (covering operating costs), of which 13,627 were designated for community-based expansion and 4,550 were for approved and planned child care spaces in school-based capital projects. While the provincial CWELCC allocation is a welcome investment to support access, it falls short of the Growth Strategy target. Accordingly, the City requested that

1 Government of Canada. (2023). <https://www.pm.gc.ca/en/news/news-releases/2023/06/28/delivering-promise-high-quality-inclusive-and-affordable-child>

the Province increase the allocation of CWELCC-funded spaces for Toronto by an additional 7,269 spaces to align with the Growth Strategy targets and that the Federal and Provincial governments commit to an increase in capital investment.² Note that the CWELCC agreement focuses on reducing fees and creating spaces for children aged 0 to 6 years which is distinct from the Growth Strategy’s target age group of 0 to 4 years. CWELCC funding also only covers operating costs whereas growth in child care spaces requires corresponding investments in capital funding to support expansion.

Furthermore, through the May 2023 memo, the Province directed service system managers with less than 90% of spaces provided by not-for-profit operators to maintain the proportion of not-for-profit spaces by the end of the CWELCC agreement. With 79 percent of spaces operated by not-for-profit providers, Toronto falls under this category. That is, throughout the expansion process, Toronto will need to ensure that the proportion of not-for-profit spaces approved for CWELCC funding stays at or above 79 percent. These directives were built in to the 2023 expansion application process.

In June 2023, the Province shared its Access and Inclusion Framework with service system managers, which provides guidance to service system managers to ensure growth in the child care system supports increased access to child care for children from low-income families, vulnerable children, children from diverse communities, children with extra support needs, French language, and Indigenous children.

Targeting the expansion of child care services for populations that experience inequities in the City of Toronto aligns with the decades of work led by Toronto Children’s Services and documented in the Service Plan and Growth Strategy. To align with the Province’s Access and Inclusion Framework, age and geographic equity of child care availability is prioritized. As part of expansion, operators are asked to detail their access and inclusion efforts.

The Province also committed funding for new and existing child care operators to receive one-time grants (“start-up grants”) to offset initial costs of expanding or creating spaces, which is to be administered by service system managers. Agencies that meet the criteria for start-up funding are eligible for a maximum of \$350,000 per 50 child care spaces created, calculated by allocating up to \$90 per square foot of space. Per provincial direction, eligible expenses covered by start-up grants include play materials, equipment, and minor renovations to licensed child care facilities or changes to outdoor play space to accommodate expansion. Major capital costs are not covered. The amount of funding and eligible expenses are not enough to create new centres, complete full renovations, and/or build extensions of existing centres, and as such is not considered capital funding. Both commercial and not-for-profit operators enrolled in CWELCC are eligible to apply for start up grant funding, though not-for-profit operators face unprecedented barriers to accessing capital to support expansion.

On September 15, Children’s Services launched the 2023 CWELCC Expansion & Start-up grants application that remained open until October 6, 2023 or October 11, 2023 for

² City of Toronto. (2023). EC4.3 - Canada-Wide Early Learning and Child Care Agreement Implementation in Toronto – Update. <https://secure.toronto.ca/council/agenda-item.do?item=2023.EC4.3>

applications from the French community. Eligible agencies who wished to open new spaces in 2023, or those who wished to apply for a start-up grant this year were able to apply. In the 2023 CWELCC Expansion & Start-up Grant application window, 81 group center applications were received. A preliminary total of 4, 215 licensed centre-based spaces were requested (not yet approved), as well as an increase of 231 new home-based providers (16 Home Child Care Agencies applied). Among the group center applicants, 29 applicants identified as not-for-profit operators, representing approximately 29% of new spaces requested, and 47 identified as commercial operators, representing approximately 71% of new spaces requested. Review of the applications is currently underway.

Through the application process, Children's Services is giving priority consideration to applications from not-for-profit operators per provincial direction on maintaining current auspice ratios. Successful not-for-profit applicants meeting the eligibility requirements are also being considered for a child care fee subsidy agreement, which will support access to additional spaces for families in receipt of fee subsidies.

Children's Services will launch additional rounds of application windows in 2024 to support continued expansion of affordable child care in Toronto.

Under the CWELCC system, school boards continue to play a significant role in supporting access to child care in Toronto. The Province's CWELCC allocation for Toronto included 4,550 for approved and planned child care spaces in school-based capital projects. All four Toronto school boards contribute to the availability of child care and work in collaboration with the City of Toronto to identify opportunities that align with Children's Services approach of increasing access in high inequity areas. In addition, the City works with school boards to issue joint expression of interests to select licensed not-for-profit operators to deliver child care in schools.

The City of Toronto is moving towards realizing the vision set out in the Growth Strategy. The CWELCC agreement and school boards both contribute to meeting this vision but continued investments from Provincial and Federal governments are needed to ensure successful expansion of the sector. Children's Services will continue to work with its partners to inform space expansion priorities and an inclusion framework that recognizes the needs of the City's vulnerable and diverse populations. By leveraging investments from all levels of government, Provincial-school board partnerships, third party development, and collaboration with other City divisions, Children's Services will maximize opportunities to support the creation of affordable, high-quality child care spaces for communities most in need.

While the focus of this report is primarily on capital growth and progress made on CWELCC expansion, successful expansion of the sector is contingent upon additional fee subsidies, capital and operating funding that reflects the true cost of delivering high quality care, and a thriving workforce. To that end, a Provincial workforce strategy that supports recruitment and retention for all staff in the early years and child care sector is critical and necessary for current and future expansion of a high quality child care system. Such a strategy should include investments to increase wages and benefits comparable to positions in the public sector; the development of regional wage scales; and guidelines for sustained increases to wages and benefits that address cost of living

and reflect training and education of staff. These additional elements are required to sustain and grow the child care sector and to realize the vision that all families have access to affordable, high-quality care.

CONTACT

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SIGNATURE



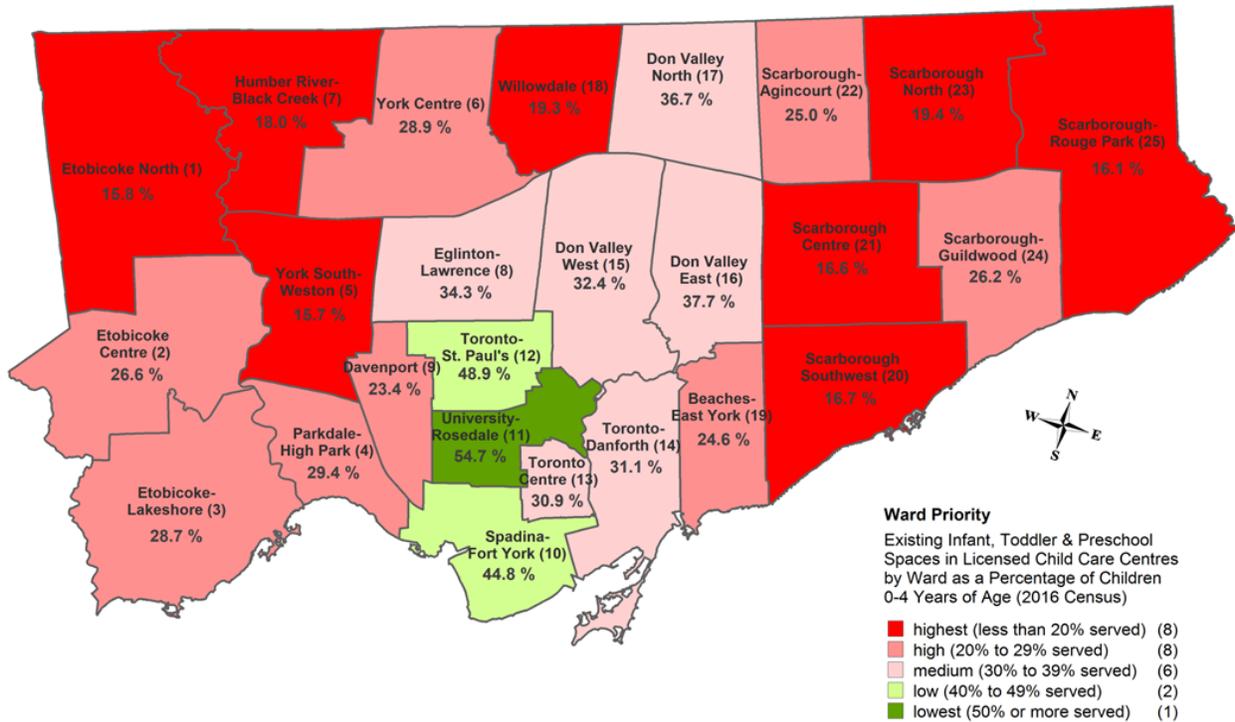
Shanley McNamee
General Manager, Children's Services

ATTACHMENTS

Attachment 1 - Capital Growth for Early Years Child Care Spaces by Ward, 2017 and 2022

Attachment 1 - Capital Growth for Early Years Child Care Spaces by Ward, 2017 and 2022

June 2017 - Ward priority for early years child care spaces



December 2022 - Ward priority for early years child care spaces

