

January 24, 2024

**TO: Chair and Members  
Budget Committee**

**RE: Children's Services 2024 Operating and Capital Budget**

The Toronto Child Care Advocates make the following recommendations for the 2024 Children's Services Operating and Capital Budget. Our full submission is below.

**RECOMMENDATIONS:**

1. The Mayor and Council request the General Manager of Children's Services to report to the February meeting of the Economic and Community Development Committee on the impacts of the final 2024 provincial funding allocations and policy changes, and the adequacy of the City budget for the purchase of service sector, with recommendations for any further actions or funding options to ensure financial viability and stability of child care centres in Toronto;
2. The Mayor and Council call on the Provincial Government to reverse the \$24.6 M reduction in Transition Funding in 2024, and provide adequate and ongoing administration, operating and capital funding that supports implementation of child care initiatives in Toronto;
3. The Mayor work with the Chairs of the Toronto School Boards to secure adequate capital funding from the Ministry of Education to build previously-approved, school-based child care centres, with thousands of spaces in high-priority, under-served neighbourhoods, contributing to meeting provincial growth targets and city-wide equity;
4. The Mayor and Council request the Federal Government to immediately allocate Toronto's share of the previously announced \$625M Child Care Infrastructure Fund; consult and engage Toronto in negotiations underway to ensure sufficient operating and capital funding in the renewed CWELCC Ontario Action Plan agreement;
5. The Mayor and City Council request General Manager of Children's Services to report to a future Economic and Community Development meeting with an update on the proposed Provincial Funding Formula, including recommendations to the provincial government to ensure adequacy of funding for Toronto's child care system;
6. The Mayor and Council request Children's Services to develop an implementation plan to increase child care wages and benefits to achieve parity with public sector workers to address the workforce shortage.

## Who we are

We are a group of child care advocates who have come together to support the development of a universally-accessible, high-quality, affordable, not-for-profit and public early learning and child care (ELCC) system in Toronto and across Ontario.

As individuals and organizations, we have been active in the development, delivery and advocacy for early learning and child care for many years. We organize and represent early childhood education workers to improve wages and working conditions, and strive to have the value of their work and profession recognized.

## Child care is Important for Toronto's Future Success

High-quality affordable child care is a vital for children, families, equity and the economy. The City of Toronto has consistently supported the development of a universal system of high-quality, non-profit and public child care, and has committed to increased operating and capital investment through the 10 year Toronto Child Care Growth Strategy. Making child care affordable for all families, creating equitable access to spaces, and supporting the workforce have been foundational in Toronto child care policy.

## Children's Services Manages a Significant and Growing Service System

Children's Services (CS) has become one of the most significant divisions in the City of Toronto. Children's Services:

- Has a gross operating budget of \$1.1B; the fourth largest, behind only TTC, Police and Employment and Social Services.
- Manages a system with over 1100 child care centres, 22 licensed home child care agencies, 81,000 licensed spaces and 30,700 fee subsidy families, 15,000 families on the subsidy wait list, and an estimated 50,000 families waiting on community child care wait lists
- Is rolling out one of the largest new social programs in decades: Canada Wide Early Learning and Child Care (CWELCC) with complex funding and policy changes in a sector with 933 contracted service providers

## A) CHILDREN'S SERVICES 2024 OPERATING BUDGET:

Is the proposed Operating budget adequate to address the funding challenges in the child care sector? **Maybe. We just don't know yet.**

The operating budget includes:

- a \$6M (.5%) reduction in the gross budget
- \$2.4M (2.2%) increase in the net budget
- \$2.65M inflation adjustment for contracted services (percentage increase unknown)
- 2.1% provincial inflation adjustment for 2024
- \$24.6M elimination of "Transition Funds"

The provincial government has two programs with the potential for additional funding – however, Toronto has not had the allocations confirmed:

- **Workforce Strategy** wage enhancement for CWELCC: With a \$23.86 wage floor for ECEs, its estimated that only 1/3 of child care workers will be eligible
- **Emerging Issues Funding (new)**: An application based program, for non-discretionary costs.

**Child Care operators submit budgets in November, requesting the funding needed to operate centres for the calendar year 2024. Centres are facing real financial challenges:**

- Staff shortages, increased wage and benefit demands
- Inflationary /other operating cost pressures
- Complex funding with possible provincial funding clawbacks
- Inadequate provincial inflation adjustment

Centres may need to wait until the end of March to have their budgets approved. The city has provided funding in advance of budget approvals, and will help with cash-flow. But the delay in approving budgets places centres in the position of not knowing, well into the year, what their operating budget is – what salaries will be --and whether there are sufficient funds to operate without a deficit.

The delay in approving child care budgets also leaves the workers - in one of the lowest paid sectors- with no certainty about their income. City employees and others with collective agreements will be paid negotiated increases in collective agreements– others in non-union centres may not.

Without final confirmation of provincial funding, our sector does not know if the 2024 Budget is sufficient to address increased cost pressures and the ongoing viability of programs. We believe it is important to have an update report go to a meeting of Economic and Community Development Committee when actual costs and any funding gaps are identified.

## **RECOMMENDATION 1.**

***1. The Mayor and Council request the General Manager of Children’s Services report to the February meeting of Economic and Community Development Committee on the impacts of the final 2024 provincial funding allocations and policy changes, and the adequacy of the City budget for the purchase of service sector, with recommendations for any further actions or funding options to ensure financial viability and stability of child care centres in Toronto;***

### **Provincial “Transition Fund” Cut of \$24.6M**

The provincial government is introducing funding cuts that were announced in 2019, but delayed in implementation; including changes to administration funding (50/50 cost-shared; cap of 5%) and cost-sharing on expansion spaces. This has resulted in a loss of \$24.6M. Municipalities across the province and OMSSA are calling on the Province to reverse this decision.

## **RECOMMENDATION 2.**

***The Mayor and Council call on the Provincial Government to reverse the \$24.6 M reduction in Transition Funding in 2024, and provide adequate and ongoing administration, operating and capital funding that supports implementation of child care initiatives in Toronto;***

## B) CHILDREN'S SERVICES 2024 CAPITAL PLAN:

Is it adequate to meet provincial or city expansion targets? **NO.**

- Toronto has an expansion target of 18,200 spaces for 2026
- Capital plan includes only City sources, and will create only approximately 1600 spaces
- The impact of the loss of Section 37 and development charges is unclear
- TDSB child care capital program is stalled, 28 new centres with 2035 spaces on hold because of inadequate provincial funding
- Other Toronto School boards, are facing the same challenges

### **RECOMMENDATION 3.**

*The Mayor work with the Chairs of the Toronto School Boards to secure adequate capital funding from the Ministry of Education to build previously-approved, school-based child care centres, with thousands of spaces, in high-priority, under-served neighbourhoods, contributing to meeting provincial growth targets and city-wide equity*

## C) FEDERAL & PROVINCIAL SUPPORT IS NEEDED TO ENSURE CWELCC'S SUCCESS

The Canada Wide Early Learning and Child Care program is a significant new national program that is helping Toronto families. The City of Toronto and the Toronto child care community have expressed full support for the program. We would like it to succeed; but there are challenges that need to be addressed.

We know the solutions to make the CWELCC program a success rest with the Provincial and Federal governments, and improvements to the CWELCC agreement and Ontario Action Plan are needed now. Negotiations for a renewal of the plan for 2025 – 2026 are currently underway to address challenges. Toronto has an opportunity to influence the process, its outcomes and public accountability.

### **The Agreement and Action Plan commits Ontario to:**

- Implement fee reductions of 50% by 2023 and an average of \$10/Day by 2026. Ontario has replaced 52% of parent fees frozen at 2022 rates. However, this does not provide sufficient operating funding to accommodate rising salary costs, inflationary pressures and regional differences. Without funding to cover the true operating costs of high-quality childcare in Toronto, centres will not remain viable.
- Develop and implement a wage framework for Early Childhood Educators (ECEs) "by setting a wage floor and instituting wage improvements". Ontario has introduced a wage floor to raise the wages of the lowest paid Registered Early Childhood Educators. But the floor (currently \$20 per hour and set to rise to \$23.86 per hour this year) is estimated to benefit only one third of RECEs in Toronto and to be insufficient to address the workforce crisis. \$7.6M of one-time funding for workforce development has ended.
- Create 86,000 new spaces; however, the province has committed no new capital funding to build these spaces. In 2022, Canada announced Child Care and Early Learning Infrastructure fund of \$625M for Canada. Toronto has yet to receive a funding allocation. Ontario committed to spending \$1B to create 30,000 new spaces in schools. These projects have been frozen at

the TDSB because of inadequate allocations that do not recognize costs. Ontario has provided no new major capital funding to the City

- The new spaces are to be predominantly in the non-profit sector (90% in Toronto.) Ontario reported that between April 1, 2019 and December 31, 2021, 45% of all new 0 to 5 spaces opened in Ontario have been for-profit spaces. As of February 2022, of the [applications currently being processed by the Ministry for new centre-based child care spaces for age 0 to 5, 66% or 21,000 are in the for-profit sector.](#)
- Ontario made minor capital start up grants available (up to \$350,000). The for-profit sector has applied for 71% of the total requested new spaces in Toronto.

#### **RECOMMENDATION 4:**

*The Mayor and Council request the Federal Government to immediately allocate Toronto's share of the previously announced \$625M Child Care Infrastructure Fund; consult and engage Toronto in negotiations underway to ensure sufficient operating and capital funding in the renewed CWELCC Ontario Action Plan agreement.*

#### **Provincial Funding Formula**

The Provincial government has developed and undertaken an initial consultation on a new funding formula for funding Early Learning and Child Care programs.

- There were many concerns expressed about the structure and adequacy of the formula
- Funding for salaries was completely inadequate, and based on provincial averages, not real costs and regional differences
- The project has been delayed and is expected for fall 2024

It is critical that the process be made transparent, and the City of Toronto develop a strong position and work with the community to strengthen advocacy to achieve a formula that reflects real cost of high-quality child care in Toronto.

#### **RECOMMENDATION 5.**

*The Mayor and City Council request Children's Services to report to February ECDC meeting with an update on the proposed Provincial Funding Model, including any recommendations to the provincial government to ensure adequacy of funding for Toronto's child care system.*

#### **RECOMMENDATION 6.**

*The Mayor and Council request Children's Services to develop an implementation plan to increase child care wages and benefits to achieve parity with public sector workers to address the workforce shortage*

