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REDUCTION IN PROVINCIAL FUNDING FOR IMPLEMENTATION OF THE BEST START STRATEGY

The Community Services and Housing Committee recommends the adoption of the recommendation contained in the following report, August 29, 2006, from the Commissioner of Community Services, Housing and Health Services:

1. RECOMMENDATION

It is recommended that:

1. The implementation of the Best Start Strategy be modified to provide services consistent with the revised funding from the provincial and federal governments.

2. PURPOSE

This report informs Council of a reduction in the level of provincial 100% funding for the implementation of the Child Care Best Start Strategy.

The Strategy, which initially provided $67.1 million at 100% provincial funding over three years, has been reduced to $39.9 million over four years to York Region, comprised of $17.6 million in Year 1, $8.1 million in Year 2, and is forecast to be a total of $14.2 million over Years 3 and 4. This reduction in the provincial funding approval will result in a reduction in the service targets in child care services, for children from birth to five years of age, which were proposed in the Child Care Service Plan and approved by Council in September 2005 through Clause 1 of Report No. 6 of the Community Services and Housing Committee. The revised allocation continues to be funded, based on information received to date, at 100% by the Province with no increase to York Region's tax levy.

3. BACKGROUND

In February 2006, the Federal Government provided notice to the Province of Ontario of the termination of the five year, 2005 Early Learning and Child Care (ELCC) Bilateral Agreement by March 31, 2007. The Province of Ontario intended to use these funds to support its Best Start Strategy. The Federal Government intends to re-direct these funds to provide families with a taxable Universal Child Care Benefit of $100 for each child under six years of age.

Ontario will receive a one-time payment of $254 million from the Government of Canada for 2006/2007, the final year of the ELCC Agreement. In order to maximize this funding to secure and sustain the newly created child care spaces, the Province of Ontario has indicated it is planning to reallocate this one-time payment to provide $63.5 million in each of the next four years to support the implementation of the Best Start Strategy in Ontario.

In Year 1 (2005-2006), Phase One of Best Start (2005-2008) continues to focus on expanding the number of licensed child care spaces and subsidies for children in Junior and Senior Kindergarten as well as supporting moderate growth in the overall child care system for children birth to four years of age. In Years 2, 3 and 4, the 100% provincial funding is intended to sustain the licensed child care spaces that were created in Year 1. There will be no provincial funding provided for capital to build new child care spaces beyond those that are created by September 30, 2006.

3.1 Funding

In Year 2, Phase One of Best Start, the Province is providing $8.1 million in federal funds in 2006/2007 to York Region to secure and sustain the number of licensed child care spaces created under Best Start through fee subsidy, special needs resourcing and through increased access to wage subsidy funding to enhance wages for child care workers in licensed child care programs.

The Province will continue to waive the municipal cost sharing on all new federal child care funding for 2006/2007 and based on information to date, for the duration of its proposed plan to reallocate one-time new federal funding over four years to March 31, 2010.

The provincial allocation is based on a funding model that recognizes the number of new child care spaces created under Best Start by September 30, 2006.

4. ANALYSIS AND OPTIONS

While the level of provincial Best Start funding has been reduced, it still affords the opportunity to address, though to a lesser degree, the top priorities identified in *Child Care Matters, The Child Care Service Plan 2005-2008* approved by Council September 14, 2005 through Clause 1 of Report No. 6 of the Community Services and Housing Committee.

Revised top priorities include:

- Expand the licensed child care system by 988 spaces by September 30, 2006 (a reduction of 492 spaces from the original provincial target of 1,480 by March 2008).
- Increase the number of child care fee assisted spaces for children 0 to 5 years of age by 500 by March 2007 (a reduction of 1,000 from the original target of 1,500 by March 2008).

- Implement an increase in wage subsidy for child care centres not receiving the level of wage subsidy for which they are eligible.
- Increase the number of children with special needs served through Best Start funding by 360.
- Allocate wage subsidy to operators of new spaces created through Best Start.

4.1 Funding Impact

The Province is providing $8.1 million in federal funds at 100% in 2006/2007 to York Region. It is expected that the Province will continue to meet the commitments made as part of their four year revised Best Start Strategy. However, given changes that have occurred to date with Best Start, the Community Services and Housing Department will be exercising caution in order to manage any negative, unexpected funding impacts including the impact of a sudden loss of funding or the introduction of cost sharing, by setting up a deferred revenue account as part of its mitigation strategy.

4.1.1 Mitigation Strategy

The Province did not increase its level of child care funding to York Region between 1990 and 2004. In order to meet program demands, York Region provided 100% regional funding of approximately $3.3 million over and above the normal cost share formula with the Province for Early Intervention Services and Child Care Services administration.

In May 2004, Council approved that the Province be requested to offset 100% municipal funds with 80% provincial funds. Through the new Best Start funding in Year 1, the Province corrected this cost sharing shortfall by allowing Best Start funds to replace 100% regional funds with 100% provincial funds, thereby reducing the Region’s cost share from 100% to 0%.

It is projected that approximately $2.5 million of the Year 1 funds will not be expended by September 30, 2006. Community Services and Housing Department will use this unexpended subsidy, any recovery of Best Start funds provided to service providers and the impact of a favourable adjustment in cost-sharing for child care programs, to set up a deferred revenue account to be used in future years to mitigate the effects of a loss of funding, a change in cost share, or for other purposes related to child care services as directed by the Commissioner of Community Services, Housing and Health Services. The implementation of this strategic plan will mitigate any negative impact on the tax levy and ensure no children and families who are in receipt of services now will be negatively impacted should the Department have to adjust to a reduced level of Best Start provincial funding.

4.1.2 Staffing

The reduction in 100% provincial funding for the implementation of the Child Care Best Start Strategy will result in only 8.5 of the 19 new full-time employees (FTEs) approved by Council being hired. Since the Community Services and Housing Department exercised caution in the timing of hiring of new staff for the implementation of the provincial Best Start Strategy, no staff terminations will be required as a result of the recent funding changes.

5. FINANCIAL IMPLICATIONS

The Province has advised us of a reduction in the level of 100% funding for the implementation of the Child Care Best Start Strategy. As a result, there will be no provincial capital funding to build spaces after September 30, 2006 and fee subsidy and wage subsidy service targets have been reduced by approximately 60%. Provincial funding in 2006/2007, 2007/2008 and through to March 31, 2010 is intended to sustain the licensed child care spaces created in Year 1 through fee subsidies, enhanced wages for child care workers and increased services for children with special needs. The Best Start funding continues to allow for support of increased Corporate Service costs associated with the increased service levels provided by the Department.

While the Province has announced a revised four year strategy to 2010, York Region is awaiting confirmation in writing of the funding approval associated with this strategy after March 2007.

In addition, there is a financial consideration when the initiative ends in 2010. It is not known whether at that time, funding will continue, or will be subject to 80/20 cost sharing.

This report describes the strategic plan which Community Services and Housing has in place including the establishment of a deferred revenue account to provide a tax levy mitigation strategy in the event of any provincial changes in direction, resulting in reduced funding, or the introduction of cost sharing. This account is set-up in order to minimize the impact to service providers, service recipients and the community.

6. LOCAL MUNICIPAL IMPACT

Child Care Fee Assistance, Early Intervention Services and Wage Subsidy Funding are provided in all local municipalities. Therefore residents and child care agencies in all municipalities in York Region will benefit from the increased quantity and quality of service as a result of the implementation of the revised Best Start Strategy. The strategic implementation of the Best Start Strategy, including the establishment of a deferred revenue account, will result in no children or families being terminated from service as the result of current or future reductions in Best Start funding.

Child care plays a key role in promoting healthy child development and helping children arrive at school ready to achieve success. It is also an essential support for many parents, helping them to balance the demands of career and family while participating in the workforce, or pursuing education, or training.

There is no municipal impact on tax levy.

7. CONCLUSION

The Regional Municipality of York is currently maximizing Best Start 100% provincial funding for Child Care Fee Assistance, Early Intervention Services and Wage Subsidy as well as the creation of 988 additional licensed child care spaces. The fact that provincial child care funding has not kept pace with the 13% rise in the child population since 1996 has resulted in growing wait lists for services. In 2006, there are wait lists of over 1,800 for child care fee assistance, over 100 for Early Intervention Services as well as a shortfall of $6.6 million in Wage Subsidy Funding to child care operators.

The reduction in 100% provincial funding to implement the child care components of Best Start in York Region reduces the opportunity to address long standing wait list and service issues in child care.

In addition, there is a financial consideration when the Best Start initiative ends. The establishment of a deferred revenue account provides a tax levy mitigation strategy in the event of provincial changes to the announced direction resulting in further reductions in Best Start funding. In addition, the deferred revenue account is set-up in order to minimize the impact to service providers and York Region families with children.

When we support our youngest children, society reaps the benefits over many years as those children develop into healthy, educated, confident and productive adults.

The Senior Management Group has reviewed this report.