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PROVINCIAL REINSTATEMENT OF CHILD CARE FUNDING

The Community and Health Services Committee recommends the adoption of the recommendations contained in the following report dated September 2, 2010, from the Commissioner of Community and Health Services.

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council approve an increase in gross expenditures in 2010 for child care funding of up to $2.4 million offset by 100% provincial subsidy with no impact to the 2010 budgeted net tax levy.

2. The Regional Chair write to the provincial Minister of Children and Youth Services and the Minister of Education commending the Province on the announcement to fill the federal childcare funding gap to help maintain current childcare service levels, while requesting that this funding be retained by Municipal Service System Managers in the future, with maximum flexibility to support local service delivery needs and objectives.

3. The Regional Clerk circulate this report to the Association of Municipalities of Ontario and the Ontario Municipal Social Services Association.

2. PURPOSE

This report provides information on the Province's reinstatement of $63.5 million annually in province-wide child care funding while outlining implications for children's services in York Region. The report also seeks Council approval to increase gross expenditures in 2010 as a result of the funding reinstatement and to request from the Province that this funding be retained and annualized in Municipal Service System Managers' budgets with maximum flexibility.

3. BACKGROUND

Reinstatement of child care funding reverses a reduction in funding announced in 2009

In August of 2009 the Province issued letters to Municipal Service System Managers across the Province outlining ongoing reductions to their child care funding envelopes to begin in 2010. York Region was informed that its annualized reduction would be $2,972,943.

The Province indicated that these significant cuts were required as a result of the end of federal funding that had been provided under the previous Early Learning and Child Care Bi-lateral Agreement with the Province. This agreement, which was originally intended to last for five years, was ended after only one year by the then new incoming federal government, effective March 31, 2007. As a result, Ontario received a final one-time, province-wide payment of $254 million, which it decided to split over the final four years ($63.5 million each year, province-wide, ending in March 2010). Through the three fiscal years (2007, 2008 and 2009) the Province had utilized this final federal funding along with additional provincial funds to increase funding to York Region under the Province's Best Start program from an allocation of approximately $8.1 million in 2007 to approximately $14.0 million in 2009.

In April of 2010 Municipal Service System Managers, including York Region, received preliminary notification confirming that the Province was stepping in to replace the $63.5 million funding no longer available from the federal government. York Region was informed that the $2,972,943 previously identified as a reduction, was to be reinstated in the municipal child care budget for 2010-11 on a fiscal basis. In June of 2010, Committee and Council were informed of this by way of a memo from the Commissioner of Community and Health Services.

Prior to the funding reinstatement Regional Council had approved a tax-levy reinvestment through the 2010 budget process to maintain a level of service for families and children

Based on concerns regarding significant impacts to service, including Early Intervention Services for special needs children, as a result of the previously announced reduction, Council had approved additional ongoing tax-levy funding in the amount of $2.5 million in the 2010 budget. This funding has played a critically important role during a period of funding uncertainty, in helping to maintain levels of service for families and children in York Region.

The Provincial funding reinstatement is vitally important in continuing to maintain levels of service in light of increasing service pressures, growing waitlists, and provincial early learning system transformation

The Province's decision to fill the federal funding gap is being welcomed across the Province, and it represents important funding for York Region. The waitlists for child care fee subsidy and Early Intervention Services continue to grow. According to the 2006 census, York Region had the highest growth for children 0- to 14- years of age for all of Ontario at 14%. As of 2006 the low income rate was 13% of the total population and 15% of children 0- to 14- years of age live in low income households.

While the demands continue to grow, the Province is actively implementing changes to Ontario's early learning and child care system including planning, delivery and funding. Full day learning for 4- and 5- year olds is rolling out in schools, in a five year phased-in approach, beginning in September, 2010. This change, along with potential future changes to service delivery for children from birth up to the point they enter full day learning, is rooted in the work of Dr. Charles Pascal, the Province's Early Learning Advisor. Dr. Pascal's transformative work, and detailed information on potential implications for York Region is the subject of another report being brought to Committee and Council in September of 2010 titled "*The Provincial Early Learning Plan and Implications for Services in York Region*".

Further information is being sought from the Province on the reinstated funding and how it will be applied in the future

While the Province has indicated that its commitment to fill the $63.5 million gap in federal funding is permanent and being annualized in the Provincial budget, Municipal Service System Managers have not received confirmation that **they** will continue to receive the full reinstated amount. At this point the reinstated dollars are a fiscal, as opposed to an annualized allocation. Questions also exist as to whether the Province will dictate how the funding is to be used given the level of system transformation underway. Community and Health Services staff are continuing to work with provincial staff and provincial associations, such as Ontario Municipal Social Services Association, to promote the importance of ongoing funding and local planning flexibility.

4. ANALYSIS AND OPTIONS

Provincial full day learning changes have the potential to increase fee subsidy service pressures and demands

The Province is beginning the phase-in of full day learning for 4- and 5- year olds across Ontario. The process is intended to take five years, with full implementation by 2016. The introduction of the full day learning program and extended day programming in the schools to support children before and after the core school day (e.g. 7:00 to 9:00 a.m. and 3:00 to 6:00 p.m.) is introducing a number of change related pressures and demands. Boards of Education have been asked to offer unlicensed, extended day programming where demand is 15 children or more. While boards are allowed to work with existing third party child care operators and provide extended day programming in a licensed child care setting while the new system is phasing-in (one to two years), the Province has indicated that the school boards will be expected to provide unlicensed extended day programming in all full day learning schools with Early Childhood Educators who are employees of the board by September, 2012. Boards are expected to run the extended day program model on a cost recovery basis. It is anticipated the rates for before and after school will increase as board salary rates migrate higher than traditional salary rates in the child care community. Although this is a necessary direction that will help stabilize the sector, nevertheless it will cause upward pressure on costs.

Municipal Service Managers have been informed by the Province that they must pay fee subsidy at the Board rate. Given that municipalities, including York, have a capped budget from the Province for fee subsidy, higher rates translate into fewer subsidized child care spaces available to families. This would further increase pressure on the existing fee subsidy waitlist which exceeds 4,000 children. As well, York Region has a Regional Schedule of Rates, which identifies the maximum rate paid to licensed child care operators. Paying a higher Board rate, which would exceed the Regional Schedule of Rates, introduces a level of inequity in the system.

Access to child care on non-instructional school days needs to be addressed

While school boards have been mandated by the Province to deliver extended day care themselves under the new model, they have not been required to offer care to children on Professional Activity days, holidays and the summer. This has the potential to introduce significant service coordination and case management pressures for Municipal Service System Managers as children may be required to move between different care providers on these non instructional days. Fully assessing the impact of this will require time, however, school boards in York Region have indicated that where there is sufficient demand to introduce extended day programming beginning this fall, they are taking advantage of the ability to continue to use existing third party licensed child care providers in the schools until September 2012.

Service coordination, access, and availability of services for special needs children are also experiencing pressures

Services for special needs children, including those delivered by the Region’s Early Intervention Services are also expected to experience service pressures as the full day learning rolls out. Currently Early Intervention Services delivers an integrated and seamless program for special needs children from 0- to 6- years of age. The model involves close collaboration with our Public Health Unit and external partners, including the Markham Stouffville Speech and Language program and the Children’s Treatment Network. Early Intervention Services also works closely with parents and care providers in a range of settings including day care centres and schools. As special needs children transition into the new model, with its core learning component, questions are arising as to how these specialized services will be utilized in the classroom environment and when the programming can be delivered. As these supports are critical to the needs of special needs children, service access will play a role in whether these children move into the new full day learning environment, or whether they continue to attend day care centres, as many do now. Early Intervention Services staff are currently working closely with school board staff to explore ways to support these children under the new model. Early Intervention Services, does, however, currently have a waitlist for services of over 150. It is important, therefore, that the introduction of the full day learning model is closely monitored as it pertains to addressing the needs of special needs children and their families.

Existing childcare providers are working to transform their business to ensure viability as 4- and 5- year olds transition into the new system

As the new full day learning for 4- and 5- year olds in the schools is being implemented, concerns are also being expressed by non-profit and commercial child care operators in regard to impacts on their operations and future business viability. These operators currently serve 4- and 5- year old children, who in the future will receive not only the core learning day but also the extended day care directly through the schools. Whereas the Province has maintained that full day learning is not mandatory, and that parents could choose to send their children to child care, it is expected that most will enrol their children in the new program. Child care providers are concerned about the funding gap that will exist when 4- and 5- year old children have migrated over to the new board delivered system and whether the impact will be manageable.

The Province has acknowledged that the implementation of full day learning will impact child care providers and have announced a level of child care stabilization funding that is to be provided to assist during this period of change. On April 27, 2010, the Province announced up to $12 million over five years in new minor capital funding to assist non-profit child care centres to restructure their operations to serve children 0- to 4- years of age through minor retrofits and renovations. These include such things as the installation of adequate washroom facilities, upgrading play grounds or installation of walls to create interior play space. The Province also announced up to $51 million over five years in operating funding that can only be used to support fee subsidy for both non-profit and commercial child cares impacted by the implementation of full day learning as they move to provide licensed child care to 0- to 4- year olds (which comes at a higher cost due to factors such as increased staff/child ratios for younger children). On June 24, 2010, in Clause No. 7 of Report No. 5 of the Community and Health Services Committee, York Region Council was informed of the implementation of this funding and the fact that York Region is being allotted a total of $542,000 ($100,400 in minor capital, and $441,600 in operating) for year one. No specific information on future year allocations is available at this time.

Despite this funding, concerns continue to exist as to whether it will be adequate, and to what extent the existing child care service sector will be impacted by the transformative changes taking place. This will require close ongoing work between York Region staff, child care operators, and provincial staff as it pertains to program and funding issues. This is another reason that all levels of funding, including the reinstated funding noted in this report needs to continue to be provided to Municipal Service Managers.

Potential also exists for further significant program and budget changes in the Children's Services sector

While full day learning is rolling out, the Province is also continuing to look at the potential of other transformative changes recommended by Dr. Charles Pascal in his report "*With our Best Future in Mind: Implementing Early Learning in Ontario*". While more detailed information is provided in the other report being brought to Committee and Council in September of 2010, titled "*The Provincial Early Learning Program and Implications for Services in York Region*", Dr. Pascal has recommended the consolidation of a range of existing child and family programming for children 0- to 3.8- years of age into a network of Best Start Child and Family Centres to be operated by Municipal Service Managers. The centres are designed to be located in, or partnered with schools and provide:

- Flexible, part-time and full day/full year early learning and care options for children up to four years of age.
- Pre-natal and post-natal information and supports.
- Nutrition and nutrition counselling.
- Early identification and intervention resources.
- Links to special needs treatment and community resources including health care, recreation, and other services.

While at the time this report is being tabled the Province has not provided any specific indications, information or timelines in relation to implementation of this model, the size and complexity of changes that would take place if implemented make it important to note in this report.

Current Provincial administrative changes in support of program transformation leading to increased financial complexity

As a result of the Pascal report and the roll-out of the full day learning a number of administrative changes have been taking place at the provincial level which are leading to increased complexity for Municipal Service System Managers.

In this report Dr. Pascal had highlighted the need for a single ministry to be responsible for leading transformation in the early learning system and creating the necessary political framework. The Province has acted upon this by creating a new Early Years Division within the Ministry of Education. In April of 2010 the Province announced that child care and special needs resourcing (for children 3.8- years of age and over) would be transferred from the Ministry of Children and Youth Services to the Ministry of Education. Certain services for children under 3.8- years of age including infant development remain with the Ministry of Children and Youth Services.

This change has brought with it levels of complexity involved with dealing with two ministries where in the past only one was involved. Financial flexibility is an emerging concern as, in previous years, Service System Managers such as York Region, were allowed a level of flexibility in moving some pockets of subsidy around to best address local needs, service pressures and issues. With the emergence of a dual ministry process many questions are now arising as to the flexibility between contracts. An example of this is the delivery of Early Intervention Services for special needs children. As noted earlier in this report, York Region offers an integrated and seamless program for special needs children from 0- to 6- years of age. With funding for 0- to 3.8- years of age and over 3.8- years of age now in two contracts instead of one, Community and Health Services staff have to engage in numerous discussions to ensure that service, and service levels, are not compromised. It is important that the funding continue, be annualized and that administrative changes not be cumbersome or limit local service flexibility.

Funding for child care services supports children's growth and parents labour force participation which are key objectives of the Community and Health Services Multi-Year Plan

The Community and Health Services Multi-Year Plan recognizes and builds on the leadership of the Region as the Service System Manager for child care, including the need to effectively access and leverage funding to address current and future needs. New and enhanced actions in the plan include:

- Additional investment in the Community Development and Investment Fund (CDIF) which includes funding to family and children's services.
- Expanding and enhancing service levels for child care fee subsidy and Early Intervention Services.
- Enhancing our ability to use the Early Development Instrument to improve planning for children's services.
- Supporting family strengthening programs to increase parenting supports and recreation for low income families.
- Strengthening our capacity to respond to the system-wide changes noted in this report.

The reinstatement of funding by the Province complements and further supports these objectives.

Combination of existing service demands, emerging issues as a result of system transformation, and impacts associated with administrative changes requires a focus on maintaining service levels while effectively managing change

Child care services in York Region are dealing with existing service pressures, as well as demands associated with transformative system changes. Combined, these pressures are creating a level of instability within the system, and include such challenges as: service related change issues, including how holidays and summer care will be addressed in the extended day for 4- to 5- year olds; impacts on special needs services as a result of working with school boards to support the introduction of full day learning; administrative and budget challenges related to dual ministry involvement; and pressures on child care providers who are attempting to restructure service to remain viable in light of 4- and 5- year olds moving to services delivered by the school boards.

With all of this taking place, the provincial reinstatement of funding and the recent investment by Council, through the 2010 budget process, are initially important in helping to maintain a level of stability and maintenance of existing services through this period of change. Despite these positive factors however, there needs to be clarity on whether the provincial reinstatement will be provided at the same level over the coming years to ensure levels of service can be maintained. In the absence of such assurances it is difficult to effectively plan ahead from a service perspective. As a result of the combination of change related system instability, combined with the needs for greater future funding clarity, the Community and Health Services Department is proposing a due diligence based approach to service level planning. Through this approach the first priority is maintaining current service levels so as not to have to scale back and leave vulnerable children and families behind as cost of living and service changes impact expenditures. The second priority is to increase service levels where there is a reasonable expectation that they can be maintained. It is therefore proposed that the recently reinstated funding from the Province be utilized to:

- Maintain the budgeted 2010 service levels in child care fee subsidy of approximately 3,200 children (average per month) through to the end of the calendar year.
- Provide child care fee subsidy for approximately 250 children from families currently on a break in service (effectively re-instating their service) due to parental leave, medical emergency, family crisis/emergency, student school break.
- Support stabilization of the child care system through distribution of wage subsidy funding to support child care operators that restructure to increase service to children 0 to 3.8- years of age.

5. FINANCIAL IMPLICATIONS

Timing of funding reinstatement and necessary approvals makes it challenging to spend full provincial allocation in 2010

Additional expenditures of up to $2.4 million offset by 100% provincial funding will allow York Region to address immediate pressures within the fee assistance program of approximately 250 children requiring care.

As a result of the late provincial announcement and approval of this funding, there is the potential that all tax levy funds budgeted in 2010 may not be required. All provincial funding is expected to be utilized. Community and Health Services staff will track this provincial reinvestment and expenditures closely through to the end of this year, and in the coming years budget cycle, in order to ensure all funds are effectively utilized, and any potential under-expenditures and future investment requirements identified.

6. LOCAL MUNICIPAL IMPACT

Services for families and children that are supported through federal, provincial, and municipal funding play a critical role in promoting healthy childhood development and helping children throughout the Region to arrive at school ready to achieve their greatest potential. These services also provide essential supports for parents, helping them to participate in the workforce, and allowing them to contribute to healthy local communities and economies.

7. CONCLUSION

The Province’s recent announcement that it was utilizing provincial dollars to reinstate funding from the federal government in support of child care is both commendable and a vital support to the maintenance of existing levels of service. Likewise, Regional Council’s continued investment in services for children, including approval to increase funding through the 2010 budget process where it appeared that the federal funding was lost, has been instrumental in ensuring that services for children, including may of our most vulnerable children, was not cut back.

While the funds are critical, they do not address the full demand as witnessed by the continuing waitlists for services, nor can they address the emerging pressures brought about through transformative system changes.

This report has sought to outline these changes, while proposing an approach to utilizing this funding to maintain existing services and service levels as a priority and, while looking at opportunities to increase service in a manner that is rooted in reasonable confidence that it can be maintained. The report therefore seeks Council approval to increase the 2010 budget, based on the calendar year portion of the reinstatement, and also requests that the Regional Chair write to the Ministry of Children and Youth Services and Education to commend the Province on the funding, requesting that it be provided to Municipal Service Managers into the future so that confident planning can take place regarding service maintenance with some levels of enhancement wherever feasible and sustainable and in keeping with the principles of the Community and Health Services multi-year planning.

For more information on this report, please contact David Rennie, General Manager of Social Services at Ext 2013.

The Senior Management Group has reviewed this report.