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PROVINCIAL CUTBACKS IN ONTARIO WORKS CHILD CARE SUBSIDY

The Community Services and Housing Committee recommends the adoption of the recommendations contained in the following report, September 25, 2003, from the Commissioner of Community Services and Housing:

1. RECOMMENDATIONS

It is recommended that:

1. The Regional Chair write to the Minister of Community, Family and Children's Services to express Council's concern over the impact this funding reduction will have on social assistance participants and costs.

2. PURPOSE

The purpose of this report is to inform Committee and Council of the Province's decision to reduce York Region's Ontario Works Child Care base subsidy by \$262,250 from \$979,000 to \$716,750 in 2003 (a 22.3% reduction), and to present a financial impact analysis of this funding reduction.

3. BACKGROUND

Ontario Works Child Care subsidy enables Ontario Works participants to return to work. This subsidy is cost shared 80:20 between the Province and the Regional Municipality of York. It is specifically for Ontario Works participants and is a separate subsidy from that which is funded by the Province through the *Day Nurseries Act*.

Ontario Works Child Care subsidy has been fully expended in each of the last five years and requests have been made annually to the Province for additional subsidy. These requests have been denied.

In 2002, the Provincial base subsidy approval to York Region was \$979,000. In September 2003, York Region was informed that the Ontario Works base child care subsidy approval would be reduced by \$262,250 to \$716,750, a reduction of 22.3%. At the same time, the child population in York Region continues to increase by 2.3% or 3,000 children each year.

This reduction in subsidy will result in the annual loss of approximately 43 subsidized spaces or 11,223 full day equivalents of subsidized care for children of Ontario Works participants. As a result of this cutback, fewer Ontario Works participants with children will be able to access child care to enable them to participate in training and/or employment activities.

In 2003, the Province reduced the Ontario Works base child care subsidy approval to many Consolidated Municipal Service Managers (CMSMs) across Ontario. The reductions to neighbouring CMSMs include approximately 17% in Simcoe County, 23% in Halton Region, 10% in Peel Region and 9.5% in Niagara Region.

4. ANALYSIS AND OPTIONS

The largest group currently receiving child care subsidy are single parent families with one child. For Ontario Works participants with young children, child care subsidy enables the single parent to become job ready and return to work.

4.1 Economic Analysis

There is a direct and immediate economic benefit to York Region taxpayers when Ontario Works participants become job ready and return to work.

The child care costs for a single parent family with one child averages \$6,048 of which York Region is responsible for 20% or \$1,210. Without child care, it is probable that the Ontario Works recipient would remain on social assistance at an approximate annual cost of \$11, 484. York Region taxpayers would contribute 20% of the cost or about \$2,297.

The annual difference to the taxpayer between supporting a family through social assistance, or through child care costs is \$1,087 (\$2,297 - \$1,210). For the 43 families who will now have no access to Ontario Works Child Care subsidy, this could translate into an increase in annual costs to York Region taxpayers in the amount of \$46,750.

Table 1
Cost Comparison:
Ontario Works Child Care Fee Assistance and the Cost of Social Assistance

	Gross	Net
Annual Cost to maintain 43 families on Social Assistance	\$493,812	\$98,762
Annual Cost to subsidize child care for 43 families	260,064	52,012
Annual Variance	\$233,748	\$46,750

In 2002, the Community Services and Housing Department provided Ontario Works Child Care subsidy to over 400 Ontario Works participant families. The annual after-tax income of Ontario Works participant families who return to work is considerably more than they would receive on social assistance. Additionally, the major part of these salaries is spent on goods and services within York Region.

The long term benefits of Ontario Works child care subsidy to children, families, and communities include:

- Municipal tax savings to York Region taxpayers.
- Enabling recipients to return to work.
- Taxes collected and earnings spent in York Region on goods and services.
- Long term developmental benefits to children and their families.

4.2 Relationship to Vision 2026

The Provincial decision to reduce the level of Ontario Works Child Care funding negatively impacts on a number of activity areas in Vision 2026 including the ability to provide services for individuals in need, and to ensure that children have access to early child development opportunities.

5. FINANCIAL IMPLICATIONS

A reduction in Ontario Works Child Care subsidy increases Social Assistance costs for both York Region and the Province. The Province's decision to reduce Ontario Works Child Care subsidy by the equivalent of 43 spaces or 11,223 subsidized full day equivalents, is a false economy of savings, whereby a reduction of \$52,000 in Regional costs for Ontario Works Child Care subsidy creates a Regional social assistance cost of \$98,750 - a net Regional cost increase of \$46,750.

6. LOCAL MUNICIPAL IMPACT

Municipalities will share the increased Regional costs. The number of Ontario Works participants receiving child care to enable them to return to work will be reduced. Ontario Works participants receiving child care subsidy to enable them to participate in training or employment activities will be reduced.

7. CONCLUSION

The Province's reduction in Ontario Works Child Care subsidy establishes a false economy of savings, whereby a reduction of \$52,000 in Regional costs for Ontario Works Child Care subsidy creates a Regional social assistance cost of \$98,750 - a net Regional cost increase of \$46,750.

In addition, long term benefits of Ontario Works Child Care subsidy to children, families, and communities are lost. These benefits include:

- Municipal tax savings to York Region taxpayers.
- Enabling recipients to return to work.
- Taxes collected and earnings spent in York Region on goods and services.
- Long term developmental benefits to children and their families.

The Provincial funding reduction is false economy and will impact adversely on the taxpayer and the Ontario Works participant.

The Senior Management Group has reviewed this report.