

2022 Provincial Child Care Funding Reduction Impact

Presented To:	Community Services Committee
Meeting Date:	September 20, 2021
Type:	Managers' Reports
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Recommended by:	General Manager of Community Development

Report Summary

This report provides a recommendation regarding the impact of provincial funding changes to Children Services in 2022.

Resolution

THAT the City of Greater Sudbury approves the utilization of the Children Services Reserve to offset the projected provincial child care administration funding reduction for the 2022 budget year, as outlined in the report entitled "2022 Provincial Child Care Funding Reduction Impact", from the General Manager of Community Development, presented at the Community Services Committee meeting on September 20, 2021.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to Quality of Life and Place as identified in the strategic plan and as it aligns with the Population Health Priorities of families, resiliency, indigenous youth, mental health, play opportunities to ensure that services designed to improve the health and wellbeing of youth, families, and seniors are not restricted as a result of provincial funding reductions for 2022. This report has no connections to the Community Energy and Emissions Plan.

Financial Implications

The financial impact of the 2022 Provincial administration funding reductions to Children Services is recommended to be mitigated through the use of the Children Services Reserve fund. This funding reduction impacts both the administrative budget and the program budget which supports service delivery. The Children Services Reserve fund has a total balance of \$6.3 million. If approved, a draw from the Children Services Reserve fund could be used to cover any anticipated shortfall for the 2022 budget. Without any service delivery reductions, this draw is estimated to be approximately \$1 million based on pre COVID-19 pandemic utilization estimates. A future report will be presented to address the implementation of a fee subsidy waitlist and/or service delivery reductions to reduce the estimated draw from the reserve, once the

Children Services' provincial budget for 2022 has been released.

Background

On April 18, 2019, the Ministry of Education announced a new requirement for municipal cost-sharing of provincial child care expansion funding and administration funding to be implemented from 2020 to 2022.

As part of the 2020 budget process, Council approved the use of the Children Services Reserve fund to offset the related funding shortfall for 2020 and 2021 to allow staff time to provide options for service level reductions to deal with the funding loss.

A report was provided to the Community Services Committee on March 2, 2020 and Council approved a reduction of \$750,000 to child care subsidies for the discretionary Early Development and School Readiness (EDSR) Program to deal with the impact of the reduction in expansion funding. Approval was also given for an annual spending cap on this program in future years. While the Children Services Reserve fund was approved to be used to cover an anticipated shortfall in 2020, the COVID-19 pandemic resulted in the closure of child care programs for several months. Therefore there was no requirement for funding support from the Children Services Reserve fund in 2020.

A report was provided to the Community Services Committee on November 16, 2020 and Council approved the use of the Children Services Reserve fund to offset the administrative funding reductions expected in 2021. That draw was expected to be \$290,000. Subsequent to the approval of the 2021 budget, Children Services received one-time provincial transitional funding to offset the impact of the administration funding reductions in 2021, in recognition of the increased administrative burden resulting from the COVID-19 pandemic. As a result, there will be no requirement for administration funding support from the Children Services Reserve fund for 2021. The provincial transitional funding is intended to be a one-time allocation, and therefore the full impact of the administration funding reductions will be recognized in 2022.

The provincial budget for Child Care Administration is based on a maximum benchmark annually. Historically, Children Services has not required the full administration allocation to offset administrative costs, and the province provides the financial flexibility to use this unused administration allocation for program costs such as child care fee subsidies and operating grants. The impact of the 2022 administrative funding reduction will eliminate this financial flexibility due to the significant reductions being imposed by the Province. This will have a direct impact on funding available for program service delivery.

As part of the 2021 federal budget, a National Child Care Plan was introduced, which requires the negotiations of funding agreements between the federal and provincial/territorial governments. It is anticipated that any funding for the Province government may include some level of administration funding, which could help to offset these provincial cost reductions in future years. At this time, there is no signed agreement between the provincial and federal governments and therefore there is no additional funding opportunities being recognized in the 2022 budget.

This report provides a recommendation to deal with the full realization of the provincial funding reduction in the area of administration in 2022.

Local Impact

Since 2020, the Children Services Section has carefully reviewed all administrative expenditures and has implemented some reductions and reallocations where appropriate to reduce the overall administrative budget. With the amalgamation of Children Services and Social Services into one division, costs were reviewed and in some cases reallocated within the Social Services provincial service contract. Further changes are anticipated as a result of a review of the divisional structure. At this time, every effort has been taken to limit the impact of this funding change, without affecting service levels.

The impact on program service delivery is being presented as the worse case scenario. Child care across

the province is still slowly recovering from the impact of the COVID-19 pandemic, and capacity in child care centres is below 70%. This is expected to continue into 2022, but with a gradual increase in child care enrolment and associated costs supported by the City. It is anticipated that there will be some flexibility within the existing budget to absorb part of the funding shortfall for programs in 2022.

For the 2022 budget year, there remains an unfunded balance of \$1,030,642 (\$382,127 in administration revenue; \$648,515 in service delivery) in excess of available provincial funding and historical municipal tax levy.

Funding Option

The 2022 Children Services budget is being prepared with the option to fund this shortfall through the Children Services Reserve. The Children and Social Services division is currently reviewing service levels and its organizational structure that is expected to provide further options for cost reductions in future years. Due to the COVID-19 pandemic, Child Care Service System Managers across the province along with the Association of Municipalities of Ontario (AMO) have requested an extension and re-evaluation of the administrative funding formula change from the Ministry of Education, although there is presently no indication that the Province will revise the decision.

The reserve fund has an approximate value of \$6.3 million and was intended to deal with the transition of provincial funding reductions in cases such as this. The full reserve was originally setup using Provincial dollars and is restricted for use within Children Services only.

Next Steps

Service System Managers from across the province will continue to advocate to the Province for a review and reconsideration of the implementation of provincial funding changes planned for 2022. Staff will also be seeking clarity of around the possibility of a National Child Care Plan, after the results of the upcoming federal election. A future deal with the Province of Ontario could have an impact on this budget item in future years.

A report will be presented to Community Services Committee to address the implementation of a child care fee subsidy waitlist and other service level reductions, as required, once the 2022 Provincial Child Care budget is released.

Resources Cited

2020 Provincial Child Care Funding Reduction Impact Report dated February 14, 2020, presented to the Community Services Committee on March 2, 2020:

<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=1496&itemid=18376&lang=en>

2021 Provincial Child Care Administration Funding Reduction Report dated October 29, 2020, presented to the Community Services Committee on November 16, 2020:

<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?documentid=38673>