

2020 Provincial Child Care Funding Reduction Impact

Executive Summary

The provincial government sets overall policy, legislation, and regulation for the child care and early years sector (ages 0 – 12). Funding for all approved programs and services is either cost-shared with, or wholly funded by the Ministry of Education (MEDU). The Children Services Section is the Service System Manager responsible for administering this funding and programming locally.

On April 18, 2019, the Ministry of Education released Child Care and Early Years allocations for 2019 and announced a new requirement for municipal cost-sharing of provincial child care expansion funding and administration funding. These changes were initially set to be effective April 2019, however the Province later revised the implementation timelines for municipal cost-sharing to begin in 2020 and transition to 2022. These new cost-sharing requirements impact child care expansion funding which will be reduced from 100% to 80% provincially-funded in 2020. Administration cost-sharing requirements and a reduction on the maximum allowable administrative expenditures will also be implemented in 2021 and 2022 respectively.

During the 2020 municipal budget process, Council approved the use of the Children Services Reserve Fund to cover any shortfalls in 2020. This report provides recommendations for Council consideration to mitigate the impact of Provincial funding changes to the Children Services budget in 2020.

Background

The Province introduced child care expansion funding in 2017. Effective in 2020, this funding was reduced from 100% to 80% by the Province. The funding is used for:

- child care fee subsidies for families in financial need;
- general operating grants for licensed child care agencies and licensed home child care providers to help cover the cost of salaries/benefits, food and facilities;
- professional development for early years professionals in the community; and
- additional program supports for children with special needs accessing licensed child care.

Between 2017 and 2019, the City of Greater Sudbury used these funds to increase its licensed child care spaces by 440 and increase access to the licensed child care system for an estimated 600 children. Child care fee subsidies have also been available to families requiring the financial assistance to access these new spaces.

Also announced in April 2019, the Province is undertaking a review of the current funding formula for child care. A revised formula has been targeted for implementation in 2021. Once this information is provided by the Province, Children Services will prepare a report to address any further funding impacts to the City.

Local Impact

As of January 1, 2020, the provincial child care expansion funding was reduced by \$917,509. This amount reflects the 20% reduction, including adjustments made related to delays in school-based child care capital projects for which operational funding is not presently required. While there is no mandatory requirement for the Municipality to contribute the remaining 20%, it is suggested by the Province. Through the budget process, Council approved the use of the Children Services Reserve Fund to offset this reduction for 2020. This reserve currently has a balance of approximately \$6.3 million. It was established with mitigation funding provided by the Province in 2014. These funds can be used to address provincial funding shortfalls impacting all levels of financial support provided by Children Services for eligible families and child care providers.

Following the Province's funding reduction announcement, Children Services implemented a freeze on all new child care expansion requests from the community effective May 2019. The exception to this expansion freeze was for two previously approved projects:

- YMCA – Durham Street, which is scheduled to open in March 2020, and will add 67 licensed child care spaces in the downtown core; and
- Le Carrefour francophone's Place des arts project that will add 43 licensed francophone child care spaces by the end of 2020.

One-time funding related to the equipping and start-up of both of these programs is projected within the 2020 budget, while operating funding will be provided for child care fee subsidies and general operating grants on a go-forward basis annually.

Children Services has provided for the ongoing operational funding of previously approved and completed child care expansion projects since 2017. Including the two projects currently underway, Children Services is projecting a deficit for 2020 that will be determined based on fee subsidy demand. Furthermore, the Municipality has not budgeted for a 20% municipal cost-share on child care expansion expenditures in 2020, but as previously stated, will fund the shortfall through the mitigation reserve.

Funding Options

There are two options to offset the ongoing Provincial funding shortfall:

- Reduce program funding - Early Development and School Readiness (EDSR)
- Prepare 2021 business case for municipal cost-sharing.

Early Development and School Readiness Program

The Early Development and School Readiness (EDSR) Program is for families who are in receipt of Ontario Works or Ontario Disability Support Program benefits, who are not working or in school, and who have children between 18 months and kindergarten age. This Program, paid through 100% provincial funding, is not provincially mandated and was developed with local discretion to assist these families in accessing full-time child care, at no cost, to enable their young children to receive developmental screening, access to healthy nutrition and prepare for a successful entry into school.

Greater Sudbury is one of the only municipalities in Ontario that runs a program to this extent and in the last year, the cost of this Program has doubled, in large part due to an influx of immigration. The total cost of the Program increased to approximately \$1.7 million in 2019 from \$867,000 in 2018.

Staff suggest halting enrollment into the EDSR Program where overall Program costs would be capped at \$750,000 annually. Existing participants would remain in the program until they age out. Mitigation funding could be used to offset any expenses that exceed the targeted Program cost of \$750,000. This maximum allocation would allow financial flexibility within the remaining Children Services budget to address other funding needs within the broader child care community. New applicants for EDSR would be waitlisted until funding becomes available. Under this option, it is anticipated that a contribution from the mitigation reserve would be needed in 2020 and to a lesser degree in 2021. Therefore, the mitigation reserve would still have a healthy balance for other funding challenges or to fund future expansion requests.

Municipal Cost Share

The other option for the municipality is for Children Services to develop a business case for the 2021 budget to fund the Provincial shortfall.

Children Services will begin to work with the community on the development of a child care expansion policy that will address prioritization of future system needs within available funding.

Next Steps

Upon approval from Council , the EDSR Program will be funded at a cost of \$750,000 per year and Children Services will implement a waitlist for the program.

Children Services staff will begin the community engagement process in developing a child care expansion policy, which will be brought back to the Community Services committee with the report on administrative funding changes in the third quarter of 2020.