



# Committee Report

<b>To:</b>	Warden Hicks and Members of Grey County Council
<b>Committee Date:</b>	November 12, 2021
<b>Subject / Report No:</b>	SSR-CW-09-21
<b>Title:</b>	Children's Services Funding and Budget Considerations
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<b>Reviewed by:</b>	Kim Wingrove, CAO
<b>Lower Tier(s) Affected:</b>	
<b>Status:</b>	

## Recommendation

1. That Report SSR-CW- 09-21 Children's Services Funding and Budget Considerations be received; and
2. That Council direct staff to request approval from the Ministry of Education to use Mitigation Funding held in reserve to help fund additional expenditures contained in the draft 2022 Grey County Children's Services budget; and
3. That Council direct staff to request a letter of approval from the Ministry of Education supporting the plan to sell the current EarlyON building in Hanover and reinvest in a new site.

## Executive Summary

Provincial changes to the cost sharing formula, rules restricting the utilization of mitigation funding and difficulty obtaining clear title to the Hanover Early Years Centre are having a significant, negative impact on the draft 2022 Children's Services Budget. Staff are seeking a Council resolution to support further discussions with the province to resolve the issues.

## Background and Discussion

Grey County has:

- 41 licensed childcare centres in 12 communities
- 1 licensed home childcare agency
- 9 EarlyON Child and Family Centres located in 6 communities.

Currently, Grey County Children's Services works closely with licensed child care operators to support 1,766 licensed operating spaces throughout the county. Grey County supports

operators with legislative requirements, professional development and addresses operational and financial challenges they may face.

Under the Child Care and Early Years Act, 2014 (CCYEA), each Consolidated Municipal Service Manager (CMSM) is required to have a multiyear service plan in place for its community that aligns with the current government’s philosophies and is approved by Council. The current Five-Year Service System Plan was provided to the Ministry of Education on June 30, 2019. At the time of submission, the Ministry of Education advised that the current planning requirements were on-hold and CMSMs would be advised as to new planning timelines. Currently the children’s services department is working on developing a more comprehensive strategic plan.

### **Funding for Early Learning and Child Care**

Grey County receives funding from the provincial government to support the operation of early learning and child care programs across the county. These funds are allocated by the province to support a variety of priorities (see table below) which have operational parameters for each funding stream. Funding must be used within these parameters.

<b>Funding Envelope</b>	<b>Purpose</b>
Children’s Services Administration	Supports the County’s costs to administer the delivery of child care fee subsidy and other supports to licensed childcare
Licensed Home Childcare	Supports the direct operation of the Grey County Licensed Home Child Care Agency, including child care fee subsidies
Repairs and Maintenance	Flowed to licensed child care centres to off-set repairs and maintenance required to maintain licensing and public health requirements
Planning and Data Analysis	Supports wage and resources related to the Planning and Data Analysis program.
EarlyON	Direct operation and third-party agreements for early learning programming across the county
Indigenous Led	Indigenous Led funding is used to enhance the existing EarlyON programming. The funding increases the amount of programming at M’Wikwedong as well as provides resources and programming to all other EarlyON programs within Grey County.
Fee Subsidy	Financial supports to offset the costs related to licensed child care for families that meet the provincial criteria.
Capacity Building	Professional learning events and resources to support quality child care.
Play Based Materials and Equipment	Funding to support the provision of child care programming as it relates to the provincial <i>How Does Learning Happen?</i> Pedagogy
Safe Restart	One-time federal funding in 2020 to support the child care sector through COVID closures and impacts.

Emergency Childcare	One-time programming to support child care for school age children of provincially identified essential workers. (program ended in 2021)
Re-Investment Funding	One-time 2021 provincial funding to support the licensed child care sector through COVID closures and impacts
General Operating Grant	Funding allocated to licensed child care centres with a current purchase of service agreement to offset operating costs in an effort to stabilize daily parent fees. This amount has not increased and does not provide for new or additional spaces at this time.
Wage Enhancement Grant	Provincial funding to increase child care staff wages by \$2.00/hour. Annualized funding that centres are required to apply for each year.
Expansion Funding	Supports additional child care fee subsidies (if a shortfall in core funding) and expanding access to affordable licensed child care spaces. Targets children 0- 4 years of age (please note that this requirement was lifted for 2021 to allow for flexibility to support COVID-19 sector recovery)
Special Needs Resourcing	Supports the inclusion of children with special needs in licensed child care settings.
ELCC Funding	Federal funding supports children 0 -6 years old's through increased access and affordability (80% of allocation) supports children 0 – 12 years old through increased access and affordability (20% of allocation)

In 2021 Grey County received \$11,013,000 from the provincial government to support the operation of licensed child care and early learning programs. These funds are allocated to the municipal child care budgets in alignment with Ministry established guidelines and parameters as described in the previous chart. In addition to these core funds, in 2013 the County received \$2,048,939 in one-time Mitigation Funding to support the transition to the new funding formula announced when the child care portfolio was transferred from Ministry of Children and Youth Services to the Ministry of Education. These funds are held in a mitigation reserve and have been used to address budget shortfalls in eligible categories. The current requirements for the use of mitigation funding prohibit the use of funds related to municipal cost share requirements. The current balance held in the Mitigation Reserve is \$1,289,332.

In April 2019, the province announced changes to the way early learning and child care programming would be funded and/or cost shared. At the AMO Conference in August of 2019, it was announced that the funding changes would be phased in over a three-year period starting in January 2020.

The phased implementation approach that was to be rolled out is as follows:

- **On January 1, 2020**, CMSMs would be required to cost-share Expansion Plan operating funding at a rate of 80/20 provincial/ municipal. However, the 20% cost share became a voluntary municipal contribution due to COVID-19 pressures and the County did not cost share in 2020
- **The following year on January 1, 2021**, continue cost-sharing Expansion Plan operating funding at a rate of 80/20 and required to cost share all administrative funding at a rate of 50/50. However, in 2021 the 20% Expansion cost share continued to be voluntary, and the County is not cost sharing in 2021. Previously, administration for Expansion, Wage Enhancement and LHCC base funding was 100% provincially funded. The new administration cost share took effect 2021; however, a one-time funding transitional grant of \$254,596 was supplied by to province to fund the municipal cost share.
- **On January 1, 2022**, the expenditure threshold for allowable administrative funding that CMSMs/DSSABs can spend on child care will be reduced from 10% to 5% of the provincial funding in addition to the ongoing cost sharing requirements previously introduced

The following chart highlights the impacts of the funding changes between the 2021 actual budget and the anticipated 2022 budget.

<b>Children's Services Budget Comparison 2021/2022</b>					
<b>Municipal Budget</b>	<b>2021 Budgeted Provincial Funding</b>	<b>2021 Budgeted Municipal Cost Share</b>	<b>2022 Estimated Provincial Funding</b>	<b>2022 Estimated Municipal Cost Share</b>	<b>2022 Estimated Increase/(Decrease) in Municipal Cost Share</b>
Administration	312,600	140,700	138,200	419,500	278,800
Capacity Building	41,500	-	41,500	-	-
EarlyON	950,900	108,500	950,900	129,600	21,100
ELCC Funding	524,100	-	524,100	-	-
Emergency Childcare	424,900	-	-	-	-
Expansion Funding	1,219,300	-	960,200	259,100	259,100
Fee Subsidy	1,912,700	478,200	2,216,200	521,500	43,300
General Operating Grant	1,299,800	-	1,299,800	-	-
Indigenous Led Operating	72,200	-	72,200	-	-
Licensed Home Childcare	1,144,300	149,300	997,100	106,200	(43,100)
Planning and Data Analysis	96,000	59,000	96,000	61,400	2,400
Play Based Materials & Equipment	44,000	11,000	44,000	11,000	-
Re-Investment Funding	358,400	-	-	-	-
Repairs & Maintenance	62,100	-	73,700	-	-
Safe Restart Funding	477,200	-	-	-	-

Special Needs Resourcing	778,200	187,600	778,200	187,600	-
Wage Enhancement Grant	1,294,800	-	1,267,900	26,900	26,900
Total	11,013,000	1,134,300	9,460,000	1,722,800	588,500

## 2022 Budget Impacts and Funding Considerations

- Funding Formula:** A revised funding formula is expected for 2022, but details and impacts on CMSM funding allocations have not been announced yet. These unknowns are challenging and require staff to estimate budget impacts. Any impacts to the required municipal cost share will be a direct increase to the municipal levy.
- Cost Share for Expansion Funding:** The implementation of the new Expansion funding cost share is creating a \$259,100 net levy impact. This may reduce the CMSM's ability to leverage these funds to support the sector.

The full potential net levy impact of \$259,100 for the Expansion budget includes:

- \$25,400 50/50 cost share for admin
- \$233,700 80/20 cost share for operating

- Use of Mitigation Funding to Off-Set Net Levy & Municipal Cost Share requirements:** The use of mitigation funding to off-set the levy requirement would allow the funds to be utilized at full capacity while reducing the impact to tax payers.

Staff propose that 25% (\$64,800) of the Expansion cost share will be budgeted as net levy with the remaining 75% (\$194,300) funded from Mitigation Reserve. Current EDU directives prevent the use of Mitigation funding to off-set levy or municipal cost share requirements.

- Admin Reduction:** Small municipal budgets do not have large amounts of discretion in the administration budgets and the requirement to cost share will require a budget increase. The total cost to administer the Early Learning and Child Care programs in Grey county is \$557,700 Under the new funding approach, an estimated \$280,700 in expenses will be unfunded as they are above the new 5% threshold. Current EDU directives prevent the use of mitigation funding to cover municipal cost share requirements, but for 2022 the anticipated shortfall in funding for administration can be funded from the Mitigation Reserve, however significant net levy impacts will occur in future budgets when the reserve is depleted.
- Child Care Fee Subsidy:** Currently child care fee subsidy worker salaries are required by the province to be reported under the administration expenses. These staff provide front-line service to families and child care programs and these programs cannot operate

without these staff. The salary allocation for these workers would be more appropriately categorized under program delivery instead of administration. These salaries total an estimated \$154,800 in the proposed 2022 budget.

- **EarlyON Budgets:** School based capital projects to create EarlyON Child and Family Centres were approved in 2017 and continue to be built in the community. As programs are opening in these school-based locations, they are being advised of increased rental rates. School based rents for EarlyON programs are averaging \$1300/month which is a significant increase over other rental rates. This is creating financial hardships for EarlyON operators as there has not been a significant increase in provincial EarlyON operating budgets since 2018. The \$1,046,978 EarlyON funding also contains a \$298,100 federally funded allocation which is dependent on the current federal government budgets. The annualized nature of the federal allocation creates an uncertainty to the sustainability for the funding.

The County is not required to cost share in the EarlyON and Planning and Data Analysis budgets, but due to provincial/federal funding shortfall, an estimated net levy of \$191,000 will be required for 2022. As more school-based capital projects are completed, the high school-based rental costs will increase funding pressures on operators and the County.

- **Hanover EarlyON:** In 2005, Grey County entered into an agreement with the province which is registered on the property title. At that time the province provided funds toward the construction of the building with Grey owning the land. The agreement states that the province needs to approve any sale and the proceeds would go to the province unless approval is granted to do otherwise.

Between 2013 and 2020, Grey County invested \$313,500 in capital improvements to the building. A further \$118,000 was spent in maintenance. The current building is located in a residential area, has limited parking/access, and is requiring additional maintenance as the building ages. Should the EarlyON remain at the current location, there will need to be significant retrofits to meet accessibility requirements, including the creation of a lift to reach the second floor. The 2022 capital requirements are estimated to be \$169,100 and staff believes that the funds could be better spent on a new, modern location.

Staff believes that a request to the Ministry of Education requesting approval that would support the plan to sell the existing property and reinvest in a new EarlyON location. This request would include a request for the Province to release its interest in the property and the proceeds of any sale.

## Legal and Legislated Requirements

A signed release from the Province will allow the County to retain the proceeds of the sale of the property.

## Financial and Resource Implications

Without ministry approval to utilize mitigation funding to address funding shortfalls, a net levy

increase of \$588,500 will be required to maintain service levels in the early learning and child care sector.

Should the County retain ownership of the Hanover EarlyON building, ongoing additional annual capital funds will need to be invested to meet accessibility standards and general maintenance of the building

## Relevant Consultation

Internal - Finance

## Appendices and Attachments

[Children's Services Five Year Service Plan](#)

[Municipal Cost Share Comparison](#)