
REPORT TITLE: COVID-19 and Provincial Funding Plans - Financial Impacts on Early Years and Child Care

FROM: Janice Sheehy, Commissioner of Human Services

RECOMMENDATION

That, given the impact of COVID-19, the Region of Peel advocate to the Ministry of Education to delay the implementation of a 50 per cent mandatory cost sharing of administrative funding for child care until January 1, 2022;

And further, that the Region of Peel advocate to the Province that the decision regarding the use of funding for salaries and wages for child care providers during the emergency closure period be made effective May 1, 2020 and not applied retroactively to March 15, 2020.

REPORT HIGHLIGHTS

- The Region of Peel is responding to the evolving circumstances of the COVID-19 pandemic and its impact on the Early Years and Child Care system.
- Maintaining a viable and accessible Early Years and Child Care system continues to be important to Peel's families and will be critical to the Region's economic recovery. It is crucial that all levels of government work in partnership to ensure the system remains financially sustainable.
- As previously reported to Regional Council on September 26, 2019, the Province is planning to implement a mandatory 50 per cent cost share on administrative funding effective January 1, 2021. This download will have an estimated impact of \$3.7M in funding cuts.
- Staff continue to look for ways to modernize and improve efficiencies in the Early Years and Child Care system to offset the download, though opportunities have been somewhat limited during the COVID-19 pandemic crisis.
- On May 11, 2020, the Province announced that its funding cannot be used for salaries and wages for child care providers during COVID-19 closures and that this decision is retroactive to March 15, 2020.
- This decision is contrary to previous advice from the Ministry of Education, namely, that Service System Managers should continue to do what was needed to maintain the viability of local child care systems during this unprecedented crisis.
- As a result, the Region of Peel, like many municipalities, flowed those funds to providers in good faith, to ensure that there would be an adequately staffed child care system for families to go back to at the end of the mandatory closure.
- This funding supported child care providers to retain child care staff despite not having a source of revenue during the closure period.
- On June 12, 2020, the Province provided further direction that municipal contributions and/or Federal Early Learning and Child Care funding could be used to cover the costs of

COVID-19 and Provincial Funding Plans - Financial Impacts on Early Years and Child Care

salaries and wages flowed to child care providers. Staff will need to assess how the potential to use this funding might result in reductions to other programs and services.

- Through this report, staff is recommending that the Region advocate to the Province that the mandatory cost share be delayed to 2022 and the retroactive decision to disallow salaries and wages funding be made effective May 1, 2020.

DISCUSSION

1. Background

The Region of Peel, in its role as System Service Manager, is responsible for planning, strategic supports, evaluation and oversight of the Early Years and Child Care system, to create positive outcomes for families in both EarlyON centres and in licenced child care settings.

On March 17, 2020, the Province of Ontario, under the *Emergency Management and Civil Protection Act*, closed all licensed child care centres (excluding home child care) and all facilities providing indoor recreational programs including EarlyON Centres.

Since that time, the Region's Early Years and Child Care Services have continued to support families and providers in Peel through a variety of activities including: emergency childcare for essential workers; Special Needs Resourcing supports, EarlyON programming that is delivered online or by phone; and fee subsidy for licensed home child care.

2. Importance of Child Care and EarlyON Services During and After COVID

There is strong recognition that availability of affordable child care is a catalyst for a robust economy. It will be an essential component of Peel's economic recovery from the COVID-19 pandemic, as well. Child care allows people to return to work and provides children with the social and learning opportunities that set them up for future success.

EarlyON centres also play a central role supporting families through many social and emotional transitions including the COVID-19 pandemic. It is anticipated that with higher rates of unemployment in Peel that more parents will care for young children at home and will benefit from these programs and services.

3. Current Pressures

a) Mandatory Cost Share Requirement

As was previously reported to Council on September 26, 2019 in a presentation titled "Service Level Implications for Peel Programs Impacted by Provincial Envelope Funding Reductions", administrative funding for child care (previously 100 per cent funded by the Province) will move to a 50 per cent cost-share between the Province and the Region of Peel, effective January 1, 2021.

If calculated at the maximum allowable amount, which is 10 per cent of the total allocation, the Region would have to pay a mandatory cost share of \$5.8M in 2021. However, due to the ongoing commitment to modernize and find efficiencies, measures

COVID-19 and Provincial Funding Plans - Financial Impacts on Early Years and Child Care

have been implemented to reduce administration, so the financial impact of the download is currently estimated to be \$3.7M in 2021.

Specific details on how the cost share changes will be implemented by the Province will not be available until the fall of 2020 when staff anticipate receiving the funding allocation for 2021.

b) Retroactive Changes to Funding Rules

On March 21, 2020, following the emergency closure order, the Region, and all Consolidated Municipal Service Managers (CMSMs) and District Social Service Administration Boards (DSSABs) in Ontario, received a memo from the Ministry of Education that stated:

“The Ministry will continue to fund CMSMs and DSSABs at the funding levels confirmed in the October 25, 2019 allocation memo and is directing CMSMs and DSSABs to continue to flow funding to child care centres and agencies.”

Based on this guidance, \$11.6M in funding was allocated to child care providers in March, April and May. Funding was provided to ensure that there would be an adequately staffed child care system for families to return to once the closure period was over. It supported child care providers to retain child care staff despite not having a source of revenue during this time. Prior to the COVID-19 pandemic, retention of Registered Early Childhood Educators had already emerged as a challenge for the child care sector.

Subsequently, through a May 11, 2020 memo from the Ministry of Education, the Region was informed that:

“All child care centres will be required to apply for Federal COVID-19 Economic Response Plan funding to support staffing costs retroactively to March 15, 2020.

We encourage child care operators to research and optimize these federal supports for staff not working during the emergency closure period...

CMSMs/DSSABs that have committed to providing top-up funding for salaries and wages above the Canada Emergency Wage Subsidy will be required to use municipal funding.”

The retroactive decision from May 11, 2020 is contrary to previous advice provided by the Ministry of Education, formally and informally, that Service System Managers (CMSMs/DSSABs) should continue to do what was needed to maintain viability of the local child care systems during this unprecedented crisis.

This change in direction has caused significant administrative burden for both the Region and child care providers who have been forced to re-evaluate whether they can retain their employees.

Advocacy efforts to the Ministry of Education to reverse the retroactivity of this decision are being undertaken by individual municipalities and collectively through the Ontario Municipal Social Services Association (OMSSA).

COVID-19 and Provincial Funding Plans - Financial Impacts on Early Years and Child Care

In a memorandum from the Ministry of Education on June 12, 2020, CMSMs/DSSABs were directed to use municipal contributions and/or Federal Early Learning and Child Care funding to cover the costs of the top-up for salaries and wages. Staff will need to assess how the potential to use this funding could result in reductions to other programs and services.

c) Stable Funding for EarlyON

Investment in EarlyON services will continue to be essential for the health and well-being of Peel families throughout the recovery period and beyond.

Council approved a four-year plan for EarlyON on May 24, 2018 in a report titled “Service Delivery Model to Create Equitable Access to High Quality EarlyON Child and Family Programs”. This plan will help provide more equitable access to services across Peel. The cost of implementing the final year of this plan in 2021 is \$1.3M but by identifying program efficiencies, this has been reduced to approximately \$0.7M. This remaining investment will be addressed through the 2021 budget process.

4. Adapting to Pressures: Modernization and Finding Efficiencies

Staff remain committed to modernizing and improving the efficiency of Early Years and Child Care Services to adapt to the current and anticipated funding pressures. During the emergency closure period, this work continued, but at a slower pace, as many staff have been redirected to emergency child care or have been redeployed to essential work across the Region (e.g. Long-Term Care). Ongoing projects include:

Audit and Accountability Fund Review of Fee Subsidy: Progress has been made on implementing the recommendations and finding cost-saving process efficiencies. This work will continue throughout 2020 and into 2021; once complete, staff will report on the total cost savings identified.

GovGrants Technology Project: The GovGrants project, as approved by Regional Council on April 26, 2018 will help improve and modernize services. A capital funding request will be presented through the 2021 budget to ensure that the full scope of this technology and the associated cost savings can be fully realized in 2022.

System Recovery Planning: As we look forward to Phase 2 of the Province’s Recovery, staff will continue to work with the child care sector, Ministry of Education and federal partners to ensure the sustainability of Peel’s child care sector.

5. Proposed Direction

Given the pressures created by the COVID-19 pandemic, and the fact that child care is an essential part of Peel’s economic recovery, staff recommend that the Region of Peel advocate to the Ministry of Education to delay the implementation of the proposed mandatory 50 per cent cost sharing of administrative funding to January 1, 2022. This will allow sufficient time to adjust and adapt to the funding reduction.

Staff also propose that the Region advocate to the Province that the May 11, 2020 decision that provincial funding cannot be used by child care providers for salaries and wages during

COVID-19 and Provincial Funding Plans - Financial Impacts on Early Years and Child Care

the COVID closures not be applied retroactively to March 15, 2020 but be amended to be effective May 1, 2020.

As part of the 2021 Budget, staff will present the service level implications of the financial pressures for EarlyON services.

RISK CONSIDERATIONS

Without sufficient, stable funding, the Region of Peel, will not be positioned to properly support an Early Years and Child Care system which in turn supports children and families and is essential to Peel's economic recovery from COVID-19.

FINANCIAL IMPLICATIONS

If advocacy efforts related to cost sharing requirements are unsuccessful, the 2021 budget will include a request of approximately \$3.7M to fund the mandatory cost share download.

As noted, the total financial impact of the May 11, 2020 announcements is still being assessed but, based on the initial guidance from the Ministry of Education, approximately \$11.6M in payments were issued to child care providers in March, April and May. If the retroactive decision is not reversed, staff would need to use Federal and/or Regional funds, to cover this unanticipated cost.

Staff will advise Council of any additional provincial decisions through the monthly Chief Financial Officer's Updates and Management of the Financial Impacts of COVID-19.

CONCLUSION

Since the onset of the COVID-19 pandemic, the Early Years and Child Care Services team has worked closely with Peel Public Health and the Region's Regional Emergency Operations Centre to ensure that child care was available to those who needed it most. This commitment will continue, throughout the recovery stage and beyond. Advocating to the Province that the mandatory cost share be delayed to 2022 and the retroactive decision on salaries and wages funding be reversed are important efforts to help ensure Peel maintains a viable child care system.

For further information regarding this report, please contact Suzanne Finn, Director, Early Years and Child Care Services, extension 7242, suzanne.finn@peelregion.ca.

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Reviewed and/or approved in workflow by:

Department Commissioner, Division Director and Financial Support Unit.

COVID-19 and Provincial Funding Plans - Financial Impacts on Early Years and Child Care

Final approval is by the Chief Administrative Officer.

A handwritten signature in black ink, reading "Nancy Polsinelli". The signature is written in a cursive style with a large initial "N" and a distinct "P".

N. Polsinelli, Interim Chief Administrative Officer