
REPORT TITLE: Child Care Sector Funding Allocation Update

FROM: Sean Baird, Commissioner of Human Services

RECOMMENDATION

- 1. That the 2024 Early Years and Child Care gross revenues and expenditures be decreased by \$31,395,816 to reflect unanticipated funding changes from the Ministry of Education, with no net budget impact to Peel Region; and**
- 2. That the Regional Chair, on behalf of Regional Council, forward a letter to the Minister of Education to advocate for the reversal of administrative funding reductions that will result in a budget shortfall in 2025 and beyond, which will negatively impact the delivery of Peel's Early Years and Child Care programs; and**
- 3. That the need for adequate and sustainable administrative funding be incorporated into ongoing advocacy efforts to federal and provincial governments, including at the 2024 AMO Conference.**

REPORT HIGHLIGHTS

- On November 30, 2023, Peel received the 2024 Child Care, EarlyON Child and Family Centres, and Canada-Wide Early Learning and Child Care (CWELCC) funding allocations from the Ministry of Education.
- The 2024 allocation is \$31.3 million less than what was projected in the 2024 Regional Budget. This decreased allocation has no net impact on the Early Years and Child Care budget.
- This reduction is the result of the Province holding the current fee reduction for CWELCC eligible programs at 52.75 per cent for 2024. Secondly, Peel's 2024 CWELCC funding allocations are now aligned to the calendar year and do not include funding for January 2025. As a result, Peel's CWELCC funding is \$31.9 million lower than forecasted in the 2024 Regional budget for EYCCS.
- Peel received \$7.9 million in a new funding program for emerging issues, to support non-discretionary cost pressures related to child care delivery for CWELCC providers.
- Peel also received increased Early Learning and Child Care funding in the amounts of \$0.255 million for child care and \$0.253 million for EarlyON Child and Family Centres as part of the renewed Canada-Ontario ELCC agreement.
- In December 2023, the Province communicated the discontinuation of transitional grant funding, and the return of the reduced child care administrative threshold from 10 per cent to 5 per cent.
- The reduction in administrative funding will create pressures for the Region in 2025 and beyond, negatively impacting the Region's ability to administer the CWELCC

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program, child care subsidy, and special needs resourcing supports in a timely manner to families.

- Staff will actively advocate alongside other Service System Managers through OMSSA and AMO to the Province to reverse the administration cuts.
 - Staff will return to Council with an update on the outcome of these advocacy efforts and our mitigation strategy to address these administration cuts, if needed.
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DISCUSSION

1. Background

On November 30, 2023, the 2024 Child Care, EarlyON Child and Family Centres, and Canada-Wide Early Learning and Child Care (CWELCC) funding allocations were received from the Ministry of Education (the Ministry). This funding is intended to support the delivery of accessible, high quality and inclusive early years and child care services to families in Peel.

Peel's allocation for 2024 is \$419.9 million, which is \$31.3 million less than what was projected in the 2024 Regional Budget for Early Years and Child Care Services (EYCCS). While the allocation is less than projected, it has no impact on the Early Years and Child Care budget.

2. Peel's 2024 Allocation

The discrepancy between the 2024 Regional Budget for EYCCS and the funding allocation from the Province is primarily due to changes in funding assumptions for the CWELCC program.

Firstly, the Region's 2024 allocation confirms that no further child care fee reduction is planned for 2024, holding the current fee reduction at 52.75 per cent for CWELCC eligible programs. Secondly, Peel's 2024 CWELCC funding allocations are now aligned to the calendar year and do not include funding for January 2025.

In addition to the differentials of the CWELCC funding allocation, the Region received new funding as well as increases to funding amounts in other program streams. As a result of these changes:

- Peel's 2024 CWELCC funding is \$31.9 million lower than the amount forecasted in the 2024 Regional budget for EYCCS.
- The Ministry provided new funding program in the amount of \$7.9 million for emerging issues, to support non-discretionary cost pressures related to child care delivery for providers participating in CWELCC whose child care fees have been frozen since March 2022.
- Peel received an increase of \$0.255 million in Early Learning and Child Care (ELCC) funding provided as part of the renewed Canada-Ontario ELCC agreement. This

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funding can be used to support additional fee subsidies, increased access, and reducing licensed child care fees and increasing affordability for families

- Peel received an increase of \$0.253 million for EarlyON Child and Family Centres, also provided as part of the renewed Canada-Ontario ELCC agreement to support the delivery of EarlyON programs to families.

The differentials of the CWELCC funding allocation as well as increases to funding amounts in other program streams resulted in an overall funding allocation decrease of \$31.3 million from what was forecasted in the 2024 Regional budget for EYCCS.

3. Administration Threshold Reduction

In 2019, the Province first announced changes to the administrative funding. Staff brought a report to council titled “Peel’s Early Years and Child Care Provincial Allocation for 2019” outlining the budget implications related to this policy change.

In 2021, the Province introduced administrative funding changes, specifically the requirement to cost share all provincial child care administration funding at a rate of 50/50 and reduced the allowable administrative funding threshold from 10 per cent to 5 per cent.

The Province provided all Service System Managers with a transitional grant over three years (2021, 2022, 2023) to address the administrative shortfall, the impact of COVID-19 pandemic and the significant changes to the system introduced by CWELCC. This grant was intended to help offset the 5 per cent reduction in the administration threshold and provide support for the administration cost share requirement.

In December 2023, the Province communicated the discontinuation of the transitional grant funding with no prior notice or opportunity for the Region to plan for the impacts of this change. The Province is allowing Service System Managers to carry forward any unused transition grant funding into 2024, to be spent by March 31, 2024.

The Region plans to carry forward \$4.5 million in transitional grant funding to offset administrative costs from January to March 2024 and do not foresee any additional pressures on administration funding for 2024.

The discontinuation of the transitional grant funding will create administrative funding pressures for the Region in 2025 and beyond. The negative impact of the reduction in funding is being voiced from other Service System Managers across Ontario. In total, a reduction of \$85.5 million in administration funding will be felt across the province’s 47 Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs). For Peel, the reduction will create a funding shortfall of over \$4 million beginning in 2025. The reduction in provincial administration funding comes at a time when the CWELCC program as well as the CWELCC Expansion (11,980 additional spaces by 2026) has significantly increased workload and administrative needs for the Region.

The reduction in administrative funding will limit the ability to maintain current service levels for special needs resourcing supports and child care fee subsidy, resulting in potential waitlists for these important programs. Staff will be actively advocating alongside all other

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Service System Managers through OMSSA and AMO to the Province to reverse the administration cuts which will impact our ability to implement programs and services, including CWELCC, child care subsidy, special needs resourcing supports and accountability activities.

Staff will return to Council with an update on the outcome of our advocacy efforts and our mitigation strategy to address these administration cuts, if needed.

RISK CONSIDERATIONS

The reduction in the EYCCS budget as a result of the decreased CWELCC funding allocation from the Province poses no risk for the Region. In addition, we are able to mitigate the impact related to the discontinuation of transitional grant funding with the ability to carry funds to cover administration for January to March 2024.

The discontinuation of the transitional grant funding will create administrative funding pressures for the Region in 2025 and beyond.

BILL 112 RISKS AND IMPLICATIONS

The passing of the *Hazel McCallion Act (Peel Dissolution)*, 2023 on June 8, 2023, formalized a plan to dissolve the Region of Peel effective January 1, 2025. On December 13, 2023, the provincial government announced that Peel will not be dissolved, and that new legislation will be passed in 2024 to repeal or amend Bill 112. Until new legislation is passed, no implications can be determined.

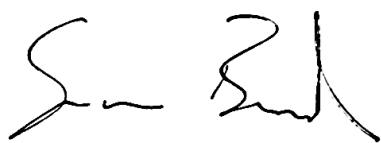
FINANCIAL IMPLICATIONS

The 2024 Early Years and Child Care budget gross revenues and expenditures will be decreased by \$31,395,816 million, with no net budget impact to the Region.

CONCLUSION

The recommended reduction in gross revenues and expenditures in the EYCCS budget will have no impact on EYCCS's ability to provide programs and services to children and families.

Staff will continue to advocate for a reversal of the Province's reduction to child care administration funding to ensure that we are able to support the sector and families in Peel Region.



Sean Baird, Commissioner of Human Services

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