

Supplementary Budget – Briefing Note

2020 Budget

Expansion Affordability

Briefing Note required for:

-items >\$50,000

-changes in FTE

Dept	Division	Business Unit	Item	Base Supp	Amount	FTE Impact
CHS	CCEY	Non-Profit	Expansion Affordability	B	\$419,906	0

Background:

The Municipality of Chatham-Kent is the designated service system manager for the Chatham-Kent community, as set out in the Child Care and Early Years Act, 2014, Reg. 2. As set out in the Act service system managers:

- May establish, administer, operate and fund licensed child care and early years programs, including providing assistance to licensees and evaluating and assessing the impact of public funding;
- Deliver and administer local policies respecting the operation of child care and early years programs and services;
- Coordinate the planning and operation of child care and early years programs and consult and cooperate with school boards and other prescribed persons or entities in the development and implementation of the service system plan;
- Coordinate the planning and operation of child care and early years programs with the planning and provision of other human services delivered by the service system manager; and
- Assess the economic viability of child care early years programs and facilitate changes to make programs more viable.

Child Care and Early Years is facing a change to the legislated costs shares mandated by the Ministry which will impact services over the next three years as outlined in the attached Report to Council.

For 2020, the Expansion Funding allocated by the Ministry of Education will be reduced by the calculated Municipal cost share of 20%. The Ministry has made the 20% Municipal cost share optional. We are still in the process of expanding child care spaces, and not all centre expansions have been completed yet. In the meantime, while we wait for the full impact of the previously expanded 187 spaces to be built, a fee reduction is being offered to parents and fees have been reduced by \$10 for Infant, Toddler and Preschool spaces, and \$5.00 for Junior Kindergarten, Senior Kindergarten, and School Age Spaces. The \$419,906 is the anticipated amount the optional municipal share to be.

The community has a waitlist for child care spaces. Currently 837 children are waiting for a space.

Comment:

If the Municipality does not wish to contribute its cost share in 2020, then the Division will be unable to offer as high of a reduction to parent fees, but could potentially still offer a smaller amount for 2020 without this contribution. Full analysis is yet to be done as staff are awaiting program expansion details to be reported at end of September term.

Comment:

Further expansion projects that have not yet been committed will have to be stopped. We have committed to 187 additional spaces to be build over the next few years.

Municipality Of Chatham-Kent

Community Human Services

Child Care and Early Years

To: Mayor and Members of Council

From: Kelly Emery,
Director, Child Care and Early Years

Date: October 28, 2019

Subject: Provincial Child Care Funding Changes and New Child Care Tax Credit

This report is for the information of Council.

Background

Further to recent discussions regarding the 2019 Ontario Budget, this report will provide an update on changes to provincial funding for child care, and the new provincial child care tax credit.

Comments

Changes to Child Care Funding

Each year, following the provincial budget, the Child Care and Early Years division receives a memo from the Ministry of Education (the Ministry) with funding allocations for service system managers.

This year's most recent memo (dated August 28, 2019) noted that there would be financial impacts due to a reduction in the Municipality's allocation beginning in January 2020, as well as potential impacts arising from policy changes by the Ministry.

On January 1, 2020, The Municipality of Chatham-Kent, who are the Consolidated Municipal Service Managers (CMSM), will be asked to cost-share Expansion Plan operating funding at a rate of 80/20 provincial/ municipal. Please note that while cost sharing continues to be encouraged, the Ministry is committing to providing 80 percent of this funding regardless of the CMSM/District Social Service Administration Board (DSSAB) contribution.

The following year, on January 1, 2021, CMSMs/DSSABs will be asked to continue cost-sharing Expansion Plan operating funding at a rate of 80/20 and be required to cost share all administrative funding at a rate of 50/50;

On January 1, 2022, the threshold for allowable administrative funding CMSMs/DSSABs can spend on child care will be reduced from 10% to 5% in addition to the ongoing cost sharing requirements previously introduced.

At this time, it is estimated that the cumulative impact of the changes will be \$404,000 in 2020. This represents a direct pressure on the Child Care and Early Years Expansion Budget for 2020.

Child care fee subsidies are funded out of General Allocation and Expansion Plan funding. Assuming an average fee subsidy cost of \$10,000, the funding changes could represent a loss of up to 40 childcare fee subsidies. Expansion funding has had a slow uptake, so the Market Rate Reduction was previously implemented to reduce child care rates for parents in 2018 and 2019.

New Child Care Tax Credit

The 2019 Ontario Budget also introduced the new Ontario Childcare Access and Relief from Expenses (CARE) tax credit that would provide families with up to 75 per cent of their eligible child care expenses (including care in centres, homes and camps).

In 2019, families are able to claim the CARE tax credit when they file their tax returns. Starting in the 2021 tax year, families will have the choice to apply for and receive more timely support through regular advance payments during the year.

Eligibility for the CARE tax credit is as follows:

- Families with household incomes of up to \$150,000 will be eligible
- Lower income households could receive up to 75% of their eligible child care expenses incurred as of January 1, 2019 up to the following maximums per child:
 - Ages 0-6: up to \$6,000
 - Ages 7-16: up to \$3,750
 - Child with severe disability up to \$8,250

The Province has reported that the average annual tax credit benefit per family will be \$1,250. Staff have no information from the Province at this time on how this tax credit may impact fee subsidies in the future.

In Chatham-Kent the average (mid-range) cost of child care per year by age group is:

- Infants: \$16,694
- Toddler: \$13,063
- Preschool: \$11,278
- Kindergarten: \$7,239
- School Age: \$6,578

The waitlist for licensed child care in Chatham-Kent is upwards of 1000 children.

The CARE tax credit is of less benefit to families when compared to a child care fee subsidy, and middle and lower-income families are most affected by the change. Some families will not be able to afford the higher costs and will make decisions such as moving out of the licensed child care system, or leaving or not returning to the workforce

Consultation

Surrounding Consolidated Municipal Service Managers and the Ministry Program Advisors have been consulted to gather ideas and to determine how to move forward in the best interest of the community.

Financial Implications

Additional costs to the Municipality to maintain current service levels are outlined in the following table:

Year	80/20 Optional Cost Share	50/50 Mandatory Cost Share on Admin	Additional Cost of Admin due to reduction*	Total Cost Implication to the Municipality
2020	\$ 404,000	N/A	N/A	\$ 404,000
2021	\$ 404,000	\$ 428,915	N/A	\$ 832,915
2022	\$ 404,000	\$ 41,244	\$ 405,073	\$ 850,317

*The reduction is due to the allowable expenditure that the Ministry mandates can be allocated for administration; in 2022 this is being reduced from 10% to 5%. Currently administration spending is 8% of allocation.

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Attachment: None