
Subject: 2022 Operating Budget Adjustment due to the Canada Wide Early Learning and Child Care: Ontario Plan

Report to: Public Health and Social Services Committee

Report date: Tuesday, June 14, 2022

Recommendations

1. That an adjustment to the previously adopted 2022 Regional Municipality of Niagara (Niagara Region) operating budget in the amount of \$16,020,176, to be fully funded through Ministry of Education (MEDU), under the Canada Wide Early Learning and Child Care (CWELCC): Ontario Plan, **BE APPROVED**.

Key Facts

- The purpose of this report is to inform Council of the in-year funding announcement received from the federal and provincial governments through the CWELCC Agreement; and to obtain approval of the related budget adjustment. An in-year receipt of funding must comply with by-law 2017-63, Budget Control, items 6.6(a) and 6.6(b), requiring Council's approval for any amounts received in excess of \$1 million for operating programs.
- Niagara Region received an allocation of just over \$16 million for 2022, to support the first phase of the CWELCC: Ontario plans to provide child care fee reduction payments to families accessing licensed child care, and to support workforce compensation of Registered Early Childhood Educators (RECEs) employed in the sector.

Financial Considerations

Through its 2021 budget, the federal government committed to investing in a national child care system with all provinces and territories, as well as Indigenous organizations. As part of this agreement, Ontario will receive \$13.2 billion over six years beginning in 2022. The goal of the CWELCC, is that by September 2025, Ontario families with children under six years will have access to licensed child care for fees of \$10/day on average.

Locally, Niagara Region received an allocation of just over \$16 million for 2022 from the MEDU. More specifically, \$14.5 million in funding has been earmarked for child care fee reduction payments to parents, \$1 million to support workforce compensation, and

approximately \$0.45 million in administration funding to support the additional work required to implement the new CWELCC system. These are 100% MEDU funding dollars with no expectation for municipal cost share contributions. Niagara currently contributes more than its minimum required cost share through the levy in an effort to keep parent fees for child care affordable. At this point it is not clear whether Niagara will be required to maintain its current contribution to the system, given that the primary objective of the CWELCC program is also to reduce parent fees, or if levy savings could be realized as a result of this program. Staff will continue to monitor how the program rolls out and will report back to Council on longer term financial impacts when they are known. The revised 2022 Children's Services budget is summarized in the table below:

2022 Child Care Service Agreement	2022 Regional Budget	2022 MEDU CWELCC Budget Adjustment	Revised 2022 Regional Budget
2022 MEDU Funding	\$50,122,951	\$16,020,176	\$66,143,127
2022 Operating Expenses	\$57,014,660	\$16,020,176	\$73,034,836
2022 Niagara Region Levy	\$6,891,709	-	\$6,891,709

Children's Services has flexibility to use the funding provided from the fee reduction allocation to support workforce compensation, and vice versa, where needed, as long as specific program directives and objectives are met. Staff will work diligently throughout the year to ensure that all funding available is re-invested into Niagara's childcare system. With that said, any unspent funding must be recovered and returned to the ministry.

Analysis

On March 28, 2022, the federal and Ontario governments announced the CWELCC Agreement. Following the announcement, on April 12, 2022, Children's Services received an addendum to the annual MEDU funding guideline, with more detailed information on the CWELCC system, more specifically funding requirements and parameters, and obligations for Niagara Region Children's Services as the municipal service system manager.

The MEDU is taking a phased approach to implementing the CWELCC, with 2022 being a year of transition and adjustment, focused on the immediate objectives of affordability

for families and system stability through workforce compensation. The next phase will address the objectives of increasing child care accessibility and inclusion over the longer term.

Affordability for families (fee reductions)

Making child care more affordable for families is a key part of the implementation of the CWELCC System. All licensed child care service providers (centre based and home child care) serving children under the age of 6 have until September 1, 2022, to apply to participate in the CWELCC System.

Once licensed child care service providers applications have been approved, they will be enrolled into the new CWELCC system. Fee reductions will be implemented using a phased approach. As per ministry guidelines, all Ontario families with eligible children will see a fee reduction of up to 25% (to a minimum of \$12 per day), retroactive to April 1, 2022, building to a 50% child care fee reduction (on average) effective January 1, 2023.

Children's Services is developing a local plan to implement all the processes, policies, reporting mechanisms, etc., to ensure due diligence and fulfill the mandate and responsibilities outlined in the addendum by the MEDU as to the new CWELCC system. Based on the plan, Children's Services anticipates flowing funding to enrolled licensed child care service providers, who will then begin issuing retroactive refunds to parents, later this summer.

Licensed child care service providers who decide not to participate in the CWELCC system may continue to run their operations under the existing provincial licensing and regulatory framework and existing purchase of service agreements with Niagara Region Children's Services (if applicable). By not participating, licensed child care service providers will not receive CWELCC system funding and are permitted to continue to set out their own parent fees.

Supporting workforce compensation

Workforce compensation funding is focused on supporting RECE staff and supervisors working in licensed child care, who are low wage earners. The MEDU introduced an "hourly wage floor" and annual wage increases for eligible RECE staff and supervisors, as noted in Table 1. Workforce compensation funding will be used to fund the incremental amount required to bring the RECE staff and supervisor wages to the wage established floor, and includes up to 17.5% of statutory benefits. To be eligible for an

annual wage increase, staff must be employed by a licensed child care service provider that is participating in the CWELCC System.

Table 1. Provincially Directed Hourly wage floor from 2022 to 2026.

Staff category	2022	2023	2024	2025	2026
RECE program staff	\$18	\$19	\$20	\$21	\$22
RECE child care supervisors	\$20	\$21	\$22	\$23	\$24

In 2021, across Niagara, the average hourly rate for RECEs program staff was \$22.40/hour, and \$28.47/hour for RECE child care supervisors. After 2022, all RECE program staff will be entitled to an annual dollar per hour increase up until the hourly wage cap of \$25/hour. As per ministry funding guidelines, unused workforce compensation funding can be allocated to child care fee reduction (and as few staff are currently below this year's wage floor, it is anticipated that much of this funding will be redirected to fee reduction efforts).

Administration

The provincial government recognizes that there is additional administrative burden incurred by the municipalities to implement the new CWELCC system. As such, the MEDU has allocated \$0.45 million to be used to address staffing pressures and implement technology enhancements needed to execute the local plan to meet provincial requirements. Niagara Region Children's Services is currently determining how to best utilize the administration funding, with temporary staffing supports in place until there is a better understanding of long-term work and funding.

Alternatives Reviewed

Should the proposed budget adjustment not be approved, the \$16M in funding under the CWELCC would be returned to the provincial government, resulting in no child care fee reimbursement and subsequent reduction in fees for Niagara residents.

Relationship to Council Strategic Priorities

The provision of accessible and quality early learning programs and services supports Council's focus on Supporting Businesses and Economic Growth.

Other Pertinent Reports

[CWCD 2022-80 Canada-Wide Early Learning and Child Care Agreement: A Plan for Ontario Families](http://www.niagararegion.ca/council/Council%20Documents/2022/council-correspondence-april-01-2022.pdf) (www.niagararegion.ca/council/Council%20Documents/2022/council-correspondence-april-01-2022.pdf)

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