



City of
Peterborough

To: Members of the Joint Services Steering Committee

From: Sandra Clancy, CAO and Acting Commissioner of Community Services

Meeting Date: June 13, 2019

Subject: Report CSSSJSSC19-004
Funding and Service Impacts to Children's Services and Ontario Works Resulting from 2019 Provincial Budget

Purpose

A report to provide an update regarding the potential impacts of the 2019 provincial budget to Children's Services and Ontario Works for the City and County of Peterborough.

Recommendations

That Joint Services Steering Committee approve the recommendations outlined in Report CSSSJSSC19-004 dated June 13, 2019, of the CAO and Acting Commissioner of Community Services, as follows:

- a) That Report CSSSJSSC19-004, providing an update on the funding impacts resulting from the 2019 Provincial Budget, be received for information; and
- b) That Staff continue to analyze the funding impacts and potential service impacts and make recommendations in September 2019 to mitigate and/or fund the impacts for 2019 and future years.

Budget and Financial Implications

Staff have not yet been provided with all the information therefore specific financial and program impacts in 2019 and 2020 remain unknown. There are a range of options and decisions to be made once more information is provided.

Based on the current estimates, the financial impact for the 2019 and 2020 municipal budget years to the City and County to provide the same services in the same manner are shown in the chart below:

| Program | 2019 | | | 2020 | | |
|-------------------------------|-----------------------------------------|----------------------------|------------------------------|-----------------------------------------------------|----------------------------------------|------------------------------------------|
| | Estimated Reduction: Provincial Funding | City Impact: Same Services | County Impact: Same Services | Estimated Incremental Reduction: Provincial Funding | City Incremental Impact: Same Services | County Incremental Impact: Same Services |
| Ontario Works | -513,000 | 350,000 | 72,000 | -314,000 | 38,000 | 8,000 |
| Children's Services | -302,000 | 0 | 0 | -960,000 | 591,000 | 268,000 |
| Total Estimated Change | -815,000 | 350,000 | 72,000 | -1,274,000 | 629,000 | 276,000 |

Any changes in service levels or efficiencies in service delivery would reduce these impacts.

The current balance in the Social Services reserve is \$2,160,189. The Children's Services Best Start reserve has a balance of \$340,029. There is also \$200,000 of the Best Start reserve budgeted in 2019, for a total of \$540,029 available.

Background

The City of Peterborough is the designated Consolidated Municipal Service Manager (CMSM) for the delivery of Child Care and Early Years, Housing and Homelessness, and Ontario Works (OW) in the City and County of Peterborough.

The provincial budget, which was announced on April 11, 2019, included changes to the funding for social services programs that will impact the 2019 and subsequent budgets which may result in reduced services to individuals and families in the community. Provincial announcements have stated that the Children's and Social Services Sector spending is targeted to decrease from \$17B in 2018-19 to \$16B in 2021-22 province-

wide. This represents a decrease of 2.1% per year with savings to be achieved through social assistance reform, social services modernization, and human services integration, reducing reporting requirements, and streamlining transfer payments.

On May 27, 2019 the Premier announced that planned 2019 cuts to some municipal funding would be delayed. Some of the Child Care cuts announced on April 18, 2019 would be delayed. The City has not received any further details from the Province, but early indications are that changes will occur in 2020 as planned.

2019 Changes

Child Care and Early Years

Fee Stabilization Support (FSS) that was provided in 2018 to increase wages and other compensation to Early Childhood Educators and to stabilize licensed child care fees, ended as of March 31st, 2019. In 2018 the funding was \$403,089. The 2019 funding for January to March 2019 is \$100,750 for a reduction of \$302,000 and no further funding will be received in 2020.

| 2019 City Budget - Fee Stabilization | | | Estimated Revised 2019 Budget | | |
|---------------------------------------------|-----------------|----------------|--------------------------------------|-----------------|----------------|
| Provincial Subsidy | Municipal Share | Total Expenses | Provincial Subsidy | Municipal Share | Total Expenses |
| 403,000 | 0.00 | 403,000 | 101,000 | 0.00 | 101,000 |

Potential Service Impacts:

Fee Stabilization was a new 100% provincially funded program in 2018 intended to increase wages and other compensation for licenced child care staff and to stabilize licensed child care fees in agencies. Since the Province has chosen to end this 100% provincially funded program, there will be no additional costs to municipalities, but it does result in a loss of funding for licensed child care operators. Potential impacts with the end of this program could be a reduction of salaries to child care staff and/ or increases in parent fees to maintain salaries at the increased level. These decisions will be made by the child care operators.

Ontario Works Changes

In November 2018, the Government announced its vision for social assistance reform, with a focus on improving employment outcomes and accountability. In December, the Auditor General's audit on Value for Money of the Ontario Works (OW) program highlighted opportunities for change. The Ministry has advised that 2019 will be a year of refocusing OW service delivery priorities including changes to existing guidelines, business practices and to strengthen program accountability, oversight and integrity.

The Ministry will be working closely with municipalities on the design of aspects of reform. The Ministry has also identified four priority areas:

- Improving Employment Outcomes
- Enhancing Accountability and Achieving Outcomes
- Amending Service Contracts (in-year) related to Employment Targets
- Strengthening Fiscal Accountability

Additionally, there was an announcement earlier in 2019 about a new service system management model for Employment Ontario that is proposed to result in \$720M in savings before 2021-2022. The decisions regarding this service system management role will be made through a competitive RFP process with an expectation that there will be three "prototype" communities by the fall of 2019. The result of this change could impact the OW Employment Assistance funding that is part of the overall OW Administration Budget.

Key Changes from the April 2019 announcement for Ontario Works:

1. The **Addiction Services Initiative** (ASI) is eliminated effective July 31, 2019.
2. **2019 Administration Funding** "should not" exceed the previous year's actuals unless there is clear evidence-based rationale that can be negotiated.
3. Service managers are expected to **improve employment outcomes** for Ontario Works participants by 3% per year. This could be challenging given the announcement about a narrowing of the definition of disability under the Ontario Disability Support Program (ODSP) that may result in an increased OW caseload. Failure to achieve anticipated outcome performance can result in the Province's recovery of up to 15% of the provincial subsidy.

Anticipated Impacts Related to the Funding Changes—Financial and Service

1. The **Addiction Services Initiative** is an Ontario Works program funded by the Province to help social assistance recipients remove substance use as a barrier to employment. Services include assessment, treatment planning, and referrals to addiction and non-addiction services in partnership with FourCAST and through Intensive Case Managers in the Social Services Division. The program is designed to improve individual employability by addressing substance use concerns.

| 2019 City Budget – Addiction Services Initiative | | | Estimated Revised 2019 Budget (based on maintaining current service levels) | | |
|--------------------------------------------------|-----------------|----------------|-----------------------------------------------------------------------------|-----------------|----------------|
| Provincial Subsidy | Municipal Share | Total Expenses | Provincial Subsidy | Municipal Share | Total Expenses |
| 538,000 | 0.00 | 538,000 | 314,000 | 133,000 | 447,000 |

The CMSM received \$538,000 annually to provide this enhanced employment service. Estimated funding for 2019 will be \$314,000 or a reduction of \$224,000.

There are four staff funded through this program and 226 clients directly attached to the Intensive Case Managers.

The Division is developing a draft transition plan with recommendations for this program given the vulnerable nature of the clients and relationships that have developed. In the interim, notice has been provided to the community addiction service provider.

- Freezing the **2019 OW Administration Funding** at 2018 actuals will result in a loss of \$289,000 in budgeted provincial subsidy. The Division is analyzing options to stay within this budget without service cuts.

The Province is working to revise the OW Administration Funding formula. Future impacts are not known at this time.

| 2019 City Budget – OW Administration Funding | | | Estimated Revised 2019 Budget (based on maintaining current service levels) | | |
|-----------------------------------------------------|-----------------|----------------|------------------------------------------------------------------------------------|-----------------|----------------|
| Provincial Subsidy | Municipal Share | Total Expenses | Provincial Subsidy | Municipal Share | Total Expenses |
| 7,532,000 | 4,524,000 | 12,056,000 | 7,243,000 | 4,813,000 | 12,056,000 |

The Division is currently reviewing the OW Administration budget to determine if there are areas to reduce expenses (such as salary gapping, not hiring summer students, some employment programming and supports to clients.) These choices would impact service levels and response times to social assistance recipients.

There is the opportunity to provide clear rationale to Ministry staff, with supporting documentation in the Ontario Works Service Plan, to request funding above the cap. The Division is working with Ministry staff on this request.

2020 Changes

Child Care and Early Years

The key changes for 2020 as noted in correspondence from the Ministry of Education dated April 18, 2019:

1. Municipalities will be required to cost-share the operating portion of Expansion Plan funding at a rate of 80/20 provincial/ municipal. This funding was previously provided at 100% by the Province.
2. The threshold for allowable administration funding for municipalities will be reduced from 10% to 5% and all administration funding for Children's Services, including Wage Enhancement administration funding, will now be cost-shared at a rate of 50/50. This was also previously funded 100% by the Province.
3. In addition to funding changes the Ministry will assign service targets. The stated goal with this approach is to reduce the administrative reporting burden, but not meeting the targets could result in a financial penalty. Receiving the City's targets and understanding the consequences of not meeting them is key information still to come.

Anticipated Impacts Related to the Changes—Financial

1. **Expansion Plan Funding** - Beginning in 2020, municipalities will be required to cost-share the operating portion of Expansion Plan Funding at a rate of 80/20 provincial/ municipal. The Expansion Plan Funding was launched in 2017 by the Province to create 100,000 high-quality licensed child care spaces for children aged 0-4 in Ontario. At that time, the funding was provided to municipalities to plan for expanded spaces to meet this target over 5 years. Municipalities can decide how much to contribute with municipal funds representing 20% of total allocation and the Province contributing 80%, up to the maximum of the allocation.

Based on the former funding model, the Municipal Budget provided no municipal funds. If the full municipal contribution cannot be provided, the \$1,654,000 will not be received from the Province.

| 2020 Projected Expansion Plan Funding at 100% Provincial funds (on current allocation) | | | Estimated 2020 Budget Impacts (based on an 80/20 cost share) | | |
|----------------------------------------------------------------------------------------|-----------------|----------------|--------------------------------------------------------------|-----------------|----------------|
| Provincial Subsidy | Municipal Share | Total Expenses | Provincial Subsidy | Municipal Share | Total Expenses |
| 2,067,000 | 0.00 | 2,067,000 | 1,654,000 | 413,000 | 2,067,000 |

The 2020 Municipal contribution is estimated to be \$413,000 cost shared 69% City, 31% County (based on current projections for 2020 licensed spaces.)

Illustrated in the chart below are the programs supported by Expansion Plan funding that are either open or pending the full roll-out. There are a number currently under construction and others that are on hold in anticipation of further decisions.

The Ministry of Education requires that the City confirm whether operational funding will be provided to previously approved school-based child care projects at Crestwood,

Havelock-Belmont Public School and Norwood District High School programs by August 31, 2019.

| City Expansion | # of Licensed Spaces | # of Expanded Spaces | Status | Opening |
|-------------------------|-----------------------------|-----------------------------|--------------------|----------------|
| Les Petits | 95 | 13 | Open | 2017 |
| Pearson | 39 | 13 | Open | 2017 |
| Crestwood | 25 | 25 | Under Construction | Sep-19 |
| Mc Rae | 49 | 49 | Under Construction | Sep-20 |
| King George | 105 | 18 | Tender | Sep-20 |
| Total City | 313 | 118 | | |
| County Expansion | | | | |
| Lakefield | 135 | 22 | Open | 2017 |
| Millbrook | 131 | 49 | Open | 2017 |
| Buckhorn | 35 | 23 | Open | 2018 |
| Bridgenorth | 89 | 15 | Open | 2019 |
| Havelock | 95 | 69 | Under Construction | Sep-19 |
| Norwood | 39 | 39 | On Hold | Dec-20 |
| Total County | 524 | 217 | | |
| Total | 837 | 335 | | |

Total Number of Licensed Child Care Spaces including expansion spaces

| Year | City | County | Total |
|-------------|-------------|---------------|--------------|
| 2018 | 2446 | 1048 | 3494 |
| 2019 | 2751 | 1213 | 3964 |

Options to consider and potential service impacts

The following information still needs to be provided to the municipality:

- The financial allocations and program details (such as the 2019 Ontario Child Care Service Management and Funding Guideline, 2019 Child Care Service Agreement Amendments, and the 2019 Ontario EarlyON Business Practices and Funding Guideline);
- A new provincial Child Care Plan which may have updates to the Child Care Funding Formula coming into effect in 2019 and further years;
- The Early Learning and Child Care Program was a 3-year agreement between the Federal Government and the Province. 2019 is the third year of the agreement and there is no certainty whether the agreement will be renewed. If

this is not, the result will be a loss of \$792,960 in funding in 2020 which will further impact current service levels;

- The ministry sets annual service targets for Expansion funding based on the previous year's service levels and are tied to the service agreement. If the municipality is unable to achieve the cumulative targets by 10%, the ministry will reduce the annual allocation by 1%.

Once this information is known, the City and County will be able to determine options moving forward. Funding to sustain the expanded spaces includes fee subsidies, special needs resourcing, wage and operating grants. If the municipality decides not to cost share some or all the additional spaces, the impacts could include:

- The loss of fee subsidy funding that supports approximately 146 children per month; and/or
- Implementation of a fee subsidy wait list for families that require financial assistance for licensed child care; and/or
- Implementation of a financial cap on the fee subsidy per diem paid to child care operators; and/or
- A reduction of operating funding paid to child care operators; and/or
- A reduction of funding to support children with special needs currently attending licensed child care programs.

Any of these scenarios could result in reduced access for children, increased parent fees for families or program closures due to financial instability.

- 2. Threshold for allowable administration funding reduced and full 50/50 cost share implemented** - The reduction in the allowable threshold for administration percentages (from 10% to 5%) and contribution rates (cost shared 50/50) impact Wage Enhancement, General Allocation and Expansion Plan funds are shown below with an additional cost to the municipalities of \$446,500.

Expected Impacts of administration funding:

| Program Area | Projected 2020 Budget based on current administration expenditures | | | Estimated 2020 Budget Based on 5% threshold and 50/50 cost share | | |
|-----------------------------------|--------------------------------------------------------------------|-----------------|--------------------|------------------------------------------------------------------|-----------------|--------------------|
| | Provincial Subsidies | Municipal Share | Total Expenditures | Provincial Subsidies | Municipal Share | Total Expenditures |
| Wage Enhancement Administration | 71,000 | 0.00 | 71,000 | 35,500 | 35,500 | 71,000 |
| General Allocation Administration | 479,000 | 194,000 | 673,000 | 210,000 | 463,000 | 673,000 |
| Expansion Plan Administration | 142,000 | 0.00 | 142,000 | 52,000 | 90,000 | 142,000 |
| ELCC Administration | 72,000 | 0.00 | 72,000 | 20,000 | 52,000 | 72,000 |
| Total | 764,000 | 194,000 | 958,000 | 317,500 | 640,500 | 958,000 |

Options to consider and potential service impacts

Reducing the expected municipal share for these components may seem easier because there is less a direct impact to clients but, it would be difficult and will take time. The provincial government's expectation is that ministries, agencies and transfer-payment partners, which includes municipalities, are expected to think differently about how programs and services can be delivered in an improved and sustainable manner that drives efficiencies and maximizes value for money.

However, the reduction of the allowable threshold for administration expenses could have the following impacts:

- reduced capacity to properly support community and vulnerable people including service users, community partners, general public;
- more difficulty to meet reporting requirements expectations, accountability and serving more families that came with the increased provincial funding over the past 3 years;
- increased case load size for case managers;
- longer wait times for families applying for fee subsidy and
- reduced ability to respond to inquiries and follow-up with clients and service providers.

Challenge of these impacts

Municipalities have been notified of the budget allocation without consultation or discussion, and after the approval of municipal budgets. The service planning guidelines and performance indicators are scheduled to be released "shortly." Without this information, moving forward with any decisions quickly is difficult and would be without proper consideration to the long-term impact to the municipalities and to vulnerable individuals and families in the community. Since the May 27, 2019 announcement some items have been reversed for 2019 but, expected to occur in 2020. The Province has stated that they will consult with municipalities over the changes but, the process and extent of the consultation are yet to be determined.

The potential loss of child care spaces and subsidies with no successor program has the potential to destabilize the local child care system.

If viewed in isolation, each change to Social Services budgets and programming might be individually managed to varying degrees; however, the combined effect of these concurrent changes presents a significant challenge to the City as a CMSM and to community agencies providing related services.

Given the number of funding changes, particularly within Children's Services, priorities about service implications will need to be identified and considered as well as budget implications in the strategies that are put forward.

Ending the ASI program will require a thorough strategy that ensures that vulnerable clients are transitioned appropriately.

In addition, the cuts to administration funding could potentially lead to internal capacity challenges and lack of staffing to provide appropriate oversight to system providers.

There is significant work to be done.

A version of this report is also being submitted to the June 10, 2019 meeting of the General Committee of the City of Peterborough and the June 26, 2019 meeting of County Council. Due to the timing and importance, the report could not go to Joint Services Steering Committee before going to a General Committee meeting.

Submitted by,

Sandra Clancy

Chief Administrative Officer and Acting Commissioner of Community Services

Contact Name:

Ellen Armstrong

Social Services Division Manager

Phone: 705-742-8830 Ext. 3770

Toll Free: 1-855-738-3755 Ext. 3770

Fax: 705-876-4610

E-Mail: earmstrong@peterborough.ca

Attachments:

Appendix A: Ministry of Education 2019: EYCC02 Funding Memo

Appendix B: 2019 Ontario Works Service Delivery Priorities Memo