SUBJECT: Continuation of Best Start Funding (CS09042(c)) (City Wide)

RECOMMENDATION:

(a) That the Action Plan to mitigate the potential loss of Best Start Funding in 2010, as detailed in Appendix A to Report CS09042(c), be approved.

(b) That item “AA” - Best Start–Final Action Plan, be considered complete and removed from the Emergency and Community Services Committee’s Outstanding Business List.

(c) That Item “BB” - Best Start-Transition Plan, be considered complete and removed from the Emergency and Community Services Committee’s Outstanding Business List.

Joe-Anne Priel
General Manager,
Community Services Department

EXECUTIVE SUMMARY:

The City of Hamilton, as one of three provincial demonstration projects, currently receives $14,785,600 annually in Best Start Funding. A portion of that funding is at risk beginning in March 2010, due to the cancellation of the 2005 Canada/Ontario Early Learning and Child Care Bi-lateral Agreement.
Staff were directed by Council in June 2009 (Report 09-009 of the Emergency and Community Services Committee), to explore internal and external funding sources in an attempt to continue providing the programs currently funded by Best Start, and to return to Committee with an action plan accordingly.

In August, the Province confirmed the level of funding specifically at risk for Hamilton, and what portion Hamilton will receive of a one-time provincial investment targeted to off-setting the loss of federal funding to stabilize the early years system, while the Province continues to engage in discussions with the Federal government and while it proceeds with plans to implement full-day learning for four and five year-olds, beginning in September 2010.

The City of Hamilton’s portion of the funding at risk due to the cancellation of the bilateral agreement is $2,643,581 (2010) or $3,524,775 (annualized). The City will however, receive $999,149 one-time funding (subject to legislative approval) from the Province for the period April 1, 2010, to June 30, 2010. As a result, the total potential loss of Best Start Funding in 2010 for the City of Hamilton is $1,644,432. While the level of risk has now been quantified, the degree of risk remains uncertain.

The purpose of this report is to present Committee with an action plan for 2010 that will ensure stability for Best Start funded programming in Hamilton for the full year in 2010, regardless of the outcome of Provincial efforts to resolve the provincial funding shortfall during that period. Staff is recommending that the Best Start Reserve absorb the potential risk of $1,644,432 shortfall, should no Provincial solution be determined in 2010.

**BACKGROUND:**

**Historical Context:**

Since the spring of 2009, three reports have been presented to Committee regarding the impact of the potential loss of $63.5 million province-wide Best Start Funding, effective March 31, 2010 (Reports CS09042 (City Wide), CS09042(a) (City Wide), and CS09042(b) (City Wide). This funding had been provided under the 2005 Canada/Ontario Early Learning and Child Care Bilateral Agreement, which has since been cancelled by the Federal government.

The purpose of the previous reports was to:

(a) Advise Committee of the impact of the potential loss of funding (worst case scenario);
(b) Provide ongoing status reports of the Provincial efforts to mitigate the loss of the $63.5 million Federal funding;
(c) Request that Council advocate with both senior levels of government to ensure continuation of the funding;
(d) Provide a Transition Plan of Action until further information was received from the Province; and,
At the time the abovementioned reports were written, no detailed information regarding the specific funding reduction for Hamilton was forthcoming from the Province. In June however, the Province announced a one-time investment of $18 million in provincial funding to assist in off-setting the Federal shortfall and provide municipalities some funding stability into the second quarter of 2010. No specific details regarding what portion of the $18 million Hamilton could expect to receive were included with the announcement.

The City of Hamilton currently receives $14,785,600 annually (100% Provincial) in Best Start Funding. With the limited information that was available to staff this spring, it was estimated at that time that the potential funding risk (worst case scenario) for Hamilton could be as high as $5,087,445 (2010), or $6,783,260 (annualized).

**ANALYSIS/RATIONALE:**

**Current Status of the Risk to Hamilton:**

Staff received correspondence from the Ministry of Children and Youth Services (MYCS) in August, which provided the following funding update:

- The City of Hamilton’s portion of the $63.5 million province-wide funding at risk has been confirmed to be $2,643,581 (2010), or $3,524,775 (annualized).

- The City of Hamilton will receive $999,149 (for the period April 1, 2010, to June 30, 2010) as its portion of the one-time $18 million Provincial investment in 2010 (subject to legislative approval).

As a result of this updated information from the MYCS, staff can now confirm that the total potential risk of loss of Best Start Funding in 2010 is $1,644,432. The annualized risk remains at $3,524,775.

**Factors that Informed the Development of an Action Plan to Mitigate the Risk:**

**Staff Direction:**
The Emergency & Community Services Committee directed staff on June 3, 2009, to “investigate internal/external funding sources in an attempt to continue providing the Best Start program subsequent to March 2010, as promised by the Federal and Provincial governments. Thereby allowing Hamilton’s City Council, in a manner conducive to Hamilton City Council’s founding Term principle of being the “Best City to raise a Child”, and report back to the Emergency & Community Services Committee as soon as possible.” (Emergency & Community Services Committee Report 09-009).
**Ongoing Dialogue Between the Provincial and Federal Governments:**
As recently as August 7, 2009, the MCYS has advised staff that the intent of providing a one-time investment of $18 million next year was to provide continuity in funding while the Minister continues to engage the federal government to reinstate its investments in early learning and child care and find long-term solutions to this funding shortfall. The Province remains committed to pursuing this dialogue with the federal government at the current time.

**Status of the Provincial Response to the ‘With Our Best Future in Mind; Implementing Early Learning’ Report:**
Dr. Charles Pascal, Early Learning Special Advisor to the Premier, has developed a framework and implementation plan aimed at advancing a significant policy initiative announced by the Liberal government during the last election campaign; specifically, a commitment to implement full-day learning for all four and five year-olds across the province, beginning in 2010. Dr. Pascal’s report *With Our Best Future in Mind: Implementing Early Learning in Ontario* was released on June 15, 2009.

A number of key messages and recommendations from Dr. Pascal’s report relate specifically to the continuation of funding of Best Start, as follows:

- The report’s initial scope focused exclusively on full-day learning for four and five year-olds. However, the scope has broadened considerably and includes a new framework for the planning, regulation, governance, funding and delivery of a comprehensive early years’ system for families and children zero – 12 years of age.

- Municipal government is recognized in the report as “a leader among leaders” and viewed as being uniquely positioned to take on an enhanced (lead) role in early years’ system management of the community network of Best Start Child and Family Centres. The report recommends the transfer to municipal authorities, funding for Best Start Child and Family Centres in a single envelope that includes all existing transfers for programs/resources that will be consolidated under the Best Start and Family Centres, resources associated with regulation and oversight, plus all child care savings generated from the implementation of the full-day Early Learning Program for four and five year-olds. This will result in bringing the various early childhood services (for children from birth up to age three), under a single system manager (municipalities). This direction is consistent with the Provincial-Municipal Fiscal and Service Delivery Review recommendations. The report further recommends that municipalities would maintain their current funding contribution levels.

- The report includes a specific recommendation that Best Start Funding, currently at risk ($63.5 million Federal funding that is scheduled to end in early 2010), be maintained either through Federal or Provincial funding to ensure stability across the system, while implementation of full-day learning proceeds.
Upon the release of Dr. Pascal’s report in June, Premier McGuinty expressed his support of the report and a commitment to investing $200 million in 2010/11 and $300 million in 2011/12, to launch full-day learning for four and five year-olds. Dr. Pascal has recommended that implementation begin first in lower income neighborhoods. The Premier has indicated that this approach to implementation will help address the government’s anti-poverty strategy and give children a stronger start to their education.

Since this initial reaction to the report, there has been much speculation about the Government’s next steps regarding implementation of the report’s recommendations. To date however, no further announcements have been forthcoming from the Premier or his Ministers. Given the complexity of the report and the scope of the report’s recommendations, staff fully anticipated that it would take some time for further announcements, directions and/or next steps to be announced. That being the case, staff remains optimistic that implementation of the report’s recommendations will have a positive impact in 2010 on the current Best Start Funding challenges. Staff will continue to monitor this situation and continue to keep Committee apprised as further information becomes available.

_The Best Start Reserve:_

In 2005/06, the MCYS allowed municipalities to retain any unspent dollars, at the March 31, 2009, fiscal year-end, to apply to future early learning and child care needs. As a result, the City of Hamilton established the Best Start Reserve (Report ECS07055). The purpose of the Reserve is to sustain gains made by Best Start in our community and to:

- provide flexibility to respond to emerging (unfunded) priorities in the Best Start Network’s annual work plans;
- meet obligations the City has already committed to under the Best Start Plan;
- sustain the City of Hamilton’s Best Start and Child Care administrative infrastructure; and,
- position the City and the Network to be ready to respond to potential changes to Federal and/or Provincial policy and funding decisions.

The Best Start reserve balance at the end of 2009 is projected to be approximately $6,364,000. Staff are currently projecting a reserve balance of approximately $4,864,000 by year-end 2010.

In addition, staff are currently negotiating the repayment of Best Start capital expenditures from the Hamilton-Wentworth District School Board, who is now being compensated by the Ministry of Education for these expenses. Once negotiations are finalized, these funds will be added to the Best Start Reserve in accordance with Council approved recommendations contained in Report ECS07055.
The Action Plan for 2010:

Staff have now confirmed that the actual dollar value of risk to the 2010 City of Hamilton Best Start budget is $1,644,432, which is significantly less than the $5,087,445 originally projected this past spring. While the worst case scenario dollar figure is now clear, the degree of risk of losing this funding is less so. In fact, there are indications of strong efforts by the Province to determine solutions to this potential shortfall in funding.

Council has expressed a clear desire for staff to investigate internal/external funding sources in an attempt to continue providing Best Start Funded programming.

Staff have taken into account the following factors when developing the Action Plan:

(a) A sense of optimism about future funding possibilities from the Province;
(b) The desire of Council to sustain Best Start programming in 2010;
(c) The need for short-term solutions and long-term sustainable funding sources;
(d) The approved principles that guide utilization of the Best Start Reserve; and,
(e) An acknowledgement of an environment with many ‘unknowns’ related to this issue.

The Action Plan to mitigate the potential reduction of Provincial Best Start funding is attached as Appendix A to Report CS09042(c).

ALTERNATIVES FOR CONSIDERATION:

As an alternative to utilizing the Best Start Reserve to off-set the potential shortfall in provincial Best Start Funding in 2010, Committee could consider the following alternatives:

Alternative A:

Direct staff to make reductions, in 2010, to the current levels of service (child care fee and wage subsidies) in the Child Care Services System. To off-set a potential loss of $1,644,432, staff estimate that approximately 174 fewer children per month would receive child care fee subsidies, and the wage subsidies to supplement Early Childhood Educators salaries across the child care system would be reduced by $499,330.

This alternative is not recommended by staff since it will erode the current child care system in Hamilton, increase the child care waitlist, and decrease the salaries of Early Childhood Educators across the city. Further, it is inconsistent with the direction given to staff by Committee on June 3, 2009, “to investigate internal/external funding sources in an attempt to continue providing the Best Start program, subsequent to March 2010, as promised by the Federal and Provincial governments. Thereby, allowing Hamilton’s
City Council to act in a manner conducive to Council’s founding Term principle of being the “Best City to raise a Child”.

Alternative B:

Direct staff to prepare a program enhancement for consideration in the 2010 budget process to fund the potential shortfall of $1,644,432 in 2010 through the net levy. This alternative is not recommended by staff since doing so could be considered acceptance by the City of a ‘down-loaded’ Provincial funding responsibility. Further, given the current 2010 City of Hamilton projected budget pressures; it would not be prudent to add this additional pressure to the net levy.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial:

The City of Hamilton’s current total Best Start budget is $14,785,600 (100% Provincial). Of that total budget it has been confirmed that up to $1,644,432 is at risk in 2010, and $3,524,775 on an annualized basis thereafter.

The Best Start Reserve balance at the end of 2009 is projected to be approximately $6,364,000. Staff are currently projecting a Reserve balance of approximately $4,864,000 by year-end 2010. Pending approval of the report recommendation to cover the funding risk of $1,644,432 from the Reserve (if a Provincial solution is not found to fully solve the shortfall), the final Reserve balance by year-end 2010 is estimated to be approximately $3,219,500.

Staffing:

There are no staffing implications associated with the recommendations of Report CS09042(c).

Legal:

There are no legal implications associated with the recommendations of Report CS09042(c).

**POLICIES AFFECTING PROPOSAL:**

The City of Hamilton’s Vision “to be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities”, reflects the critical importance of early learning and development. The Best Start Initiative has enabled our community to make great strides in achieving that vision.

Dr. Charles Pascal’s report *With Our Best Future in Mind: Implementing Early Learning in Ontario* sets out a new, bold and far-reaching policy framework for a child and family...
system that closes the gaps in the existing systems and provides a continuum of services for children from birth to age 12. This policy framework further builds on the Provincial vision and goals of the Best Start Initiative introduced in 2005.

**RELEVANT CONSULTATION:**

In preparation of Report CS09042(c), staff have consulted with the Corporate Services Department, Budgets and Finance Division, Finance and Administration Section.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, and economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.** ☑ Yes ☐ No
A high-quality early learning and child care system contributes to the healthy development of children and partially ameliorates the negative effects of poverty. Children entering Grade One are ready to learn and are much more likely to succeed in life.

**Environmental Well-Being is enhanced.** ☐ Yes ☑ No

**Economic Well-Being is enhanced.** ☑ Yes ☐ No
Research has demonstrated the positive long-term economic impact and benefit of investment in children in the early years. Further, ongoing funding of the Best Start Initiative continues to support parents entering the workforce, prevents job loss and potential program closures.

**Does the option you are recommending create value across all three bottom lines?** ☐ Yes ☑ No

**Do the options you are recommending make Hamilton a City of choice for high performance public servants?** ☑ Yes ☐ No
The Action Plan to mitigate the potential reduction of provincial Best Start funding in 2010 follows:

1. In absence of the Province reinstating the potential loss of $1,644,432 to the City of Hamilton’s 2010 Best Start budget, that the budget shortfall be absorbed within the Best Start Reserve in order to sustain current Best Start funded programming throughout 2010.

2. If the budget shortfall is not fully resolved by the Province in 2010, staff will return to the Emergency and Community Services Committee by September 2010 with a subsequent plan that takes into account the annualized budget shortfall of $3,524,775, beginning in 2011, and the recognition that ongoing budget shortfalls cannot be sustained though an finite reserve account.