Early childhood education and care in Toronto:



FUNDING THE FUTURE

TORONTO

Martha Friendly
Childcare Resource and Research Unit Toronto
February 2011

Table of Contents

Summary i
Introduction 1
The ECEC context in 2011 2
Leading in ECEC for 130 years 6
How child care is funded matters 11
Three approaches to ECEC funding 14
Model #1: Fund the parent 16
Model #2: Fund the program 18
Illustrations from Canada (Quebec, Manitoba, PEI) 20
Model #3: Fund the system 27
Illustrations from elsewhere (Sweden) 30
A more publicly-managed system? *With our best future in mind* 32
Current ECEC funding in Ontario: Where do the current pieces fit? 39
Funding the Future 48
In conclusion 55

I. Introduction

Today early childhood education and care (ECEC) in Ontario is in the midst of historic change. In 2007, the Ontario government embarked on a significant transformation of its ECEC programs including kindergarten, regulated child care, and other services for children and families. The context, however, is a contradictory one for ECEC in the City of Toronto as paradoxically, a combination of acute fiscal pressures and the absence of a sustained policy approach means that child care faces greater challenges than ever before.

This paper was commissioned by the City of Toronto to provide background research on child care funding models and to review current ECEC funding arrangements. Its intent is to guide municipal and provincial discussions about more flexible funding models intended to ensure the stability and affordability of child care. It is written from a City of Toronto perspective but puts Toronto into a broader policy framework to provide ideas about funding and services from other Canadian jurisdictions and outside Canada.

The City of Toronto has long been a key player in ECEC with more regulated child care spaces than most provinces and a national role as an innovator and leader, with extensive expertise in planning, budgeting and administration. Thus, Toronto is in a unique position to identify and examine problems and seek solutions with the potential to contribute to strengthening ECEC across Ontario. The current funding model and proposed approach to implementation of Full-Day Early Learning, however, means that Toronto is at risk of not being able to maintain current service levels or its mandated roles and responsibilities.

The backdrop to this paper is the provincial government's commitment to develop Full-Day Early Learning, a shift that is part of a growing involvement of the education sector in early childhood programs Canada-wide that has been called "the most important trend in ECEC" (Flanagan and Beach, in press). The Ontario government has taken significant steps regarding Full-Day Early Learning: publication of *With Our Best Future in Mind*, a commissioned report setting out broad implementation strokes for transformation of ECEC programs; a shift of all child care programs into a new Early Learning Branch at the Ministry of

Education; and the roll-out of the first phase of a new Full-Day Early Learning/kindergarten program for four and five year olds in September 2010.

Today, however, there has been no resolution of many of the pressing issues facing child care:

- high quality child care is accessible only to a minority of Toronto's children;
- subsidy waiting lists for eligible families are so lengthy that low income families have limited prospects for a subsidy or a corresponding space;
- achieving and maintaining high quality is a struggle for service providers;
- child care is unaffordable for modest and middle income families, with the bulk of costs for all varieties of child care supported by parent fees;
- there is a very wide range of child care staff wages, benefits and working conditions;
- most child care remains privatized with many children in unregulated private arrangements and a growing for-profit sector;
- volunteer boards struggle to maintain non-profit programs;
- Toronto Children's Services, with a mandated role of Municipal Service Manager, has the responsibility for maintaining a high quality child care system but lacks many of the necessary levers.

With our best future in mind observed that "it would be ineffective and costly to layer the new Full-Day Early Learning Program on top of a web of unsolved problems" (pg. 5). But as this paper goes on to describe, the "unsolved web of problems" has by-and-large not been addressed in 2011. Thus, it is yet to be seen whether the potential outlined in *With our best future in mind* and the best policy practices evidenced by ECEC studies of provision and policy such as those by the OECD (Organization for Economic Cooperation and Development) (2001, 2004, 2006) and UNICEF (2008) can become a reality.

II. The ECEC context in 2011

In the spring before the 2010 Ontario budget, substantial concerns about the health and future of the province's child care emerged in the ECEC community. A

Toronto Star editorial observed that “all three levels [of government] seem poised to adopt budgets in the coming weeks that actually cut subsidized child care spaces, lay off workers and drive up costs for full-fee parents” (March 1, 2010). Note that some references in the text are in smaller font than others - The Ontario Coalition for Better Child Care called the situation “a perfect storm” (Toronto Star, March 22, 2010) that could, the group argued, lead to the virtual collapse of Ontario’s child care system just as the provincial government was poised to begin phasing in the much-anticipated transformation of ECEC policy and programs outlined in *With our best future in mind.* Indeed, the coming implementation of the Full-Day Early Learning program (ELP) was seen to be contributing to fiscal and resource pressures that could have a potential impact on the government’s two key social policy commitments – the Full-Day Early Learning program itself and the poverty reduction strategy promised in 2008.

Five financial issues converged in 2010 to create historic instability in Ontario child care[1]. These issues were:

1. An expected shortfall or “gap” of $63.5 million in the coming year’s provincial child care budget as the final transfer funds (2006/2007) for the cancelled national Early Learning and Child Care (ELCC) program were coming to an end;
2. “Reserve funds” originating with the 2005/2006 federal transfer for the ELCC program, transferred by the Province to municipalities in the form of unconditional transfers, were rapidly being depleted;
3. Various 100% municipal contributions to child care were in danger of succumbing to generalized financial pressures;
4. Shortfalls in child care funding transferred from the Province to municipalities were increasing exponentially year after year;
5. Upheavals in the child care sector associated with introduction of Full-Day Early Learning were creating funding uncertainty and potential service losses.

[1] These issues were identified and discussed in presentations by the child care community to provincial Party caucuses and with Ministry of Finance staff at Queen’s Park (Friendly, March, 2010).

The Ontario government came through in the March provincial budget. By replacing the $63.5 million, it addressed the first funding issue – the funding gap left by the 2006 cancellation of the previous federal government's commitment to multi-year ELCC funds[2]. But while this may have alleviated immediate concerns about potential Ontario-wide cuts of up to 8,000 fee subsidies, the other financing issues have remained unaddressed at the beginning of 2011.

The second key child care funding issue – the "reserve" fund – is also associated with the cancelled national ELCC program. The funds for the first full year (2005/2006) of the ELCC program received by Ontario under its federal/provincial bilateral agreement had been transferred by the Province to municipalities in the form of unconditional grants, with municipalities[3] drawing down on these "reserve" funds since 2006. Municipalities' spending patterns and diverse issues (for example, whether they have larger-than-average populations of low income or new Canadians, whether they pay "actual costs" for subsidies or whether the "reserve" funds were being used to cover shortfalls in the funding to municipalities determined how quickly these funds were being depleted[4]. The reserve funds are now running out across Ontario, with many expected to end in 2011 and 2012.

The third funding issue that is contributing to uncertainty in child care services is the general financial pressure that has undermined municipalities' capacity to provide unmatched municipal child care funds such as, for example, Toronto's subsidies for child care centres located in schools or Ottawa's contribution of generalized un-cost shared municipal dollars.

---

[2] This amount represented Ontario's re-profiling the one year, one-time-only federal funds for the final year of the embryonic national child care program by spreading it over four years instead of the one year for which it had been originally intended.

[3] As the funds were an "unconditional" transfer, municipalities were not required to report to the Province about how the funds were used.

[4] Ontario – the sole province with a municipal service management role in child care – handled the federal transfer funds from the cancelled Liberal ECEC program similarly to some of the other provinces (for example, New Brunswick also treated them as "reserve" funds to be drawn down on over time. A few provinces, Manitoba, for example, seems to spent all the federal funds in the year in which they were transferred. (See Beach, Friendly, Ferns, Prabhu and Forer, 2009).

The fourth funding issue, the static municipal funding base, is considered by some experts to be the most significant of Ontario's child care funding problems. The problem is, simply, that child care funds transferred from the provincial government to cover municipal child care budgets for fee subsidies, wage grants, special needs and family resource programs are not indexed. This means that they are not keeping pace with inflation, so municipalities are exponentially falling farther and farther behind, let alone providing expansion to deal with subsidy or service waiting lists. While this is not a new situation, it is a growing one that has been compounded by the other funding issues such as the end of reserve funds and additional financing pressures.

The last significant funding issue contributing to uncertainty in Ontario child care is the Full-Day Early Learning program itself, heralded by most of the ECEC community and welcomed by the public as potentially one of the most important Canadian ECEC advances to date. Since the 2007 election promise that initiated the Full-Day Early Learning process, Ontarians with an interest in ECEC had been urging the provincial government to "do it right" by making "wholesale change." A wide range of Ontarians had urged the government to: a) adopt the goals and objectives outlined in *With our best future in mind;* b) make changes in a coherent, integrated fashion (as the report proposed); and c) ensure that there were sufficient financial, infrastructure, policy and training resources for a successful implementation (Open letter, 2009).

Instead the new program was rolled out incrementally without an articulated plan for the whole with too-limited financial, infrastructure and policy support. There were many expressions of concern that rolling out the new program without a restructured child care funding model to reflect the substantially higher fees for 0-3 year olds engendered as "less expensive" four and five year olds moved from child care spaces to Full-Day Early Learning programs (kindergartens) would undermine service viability and – ultimately – accessibility and quality. Most recently, in December 2010, one of the pivotal expectations described in *With out best future in mind* – an integrated extended day for four and five year olds – was downgraded to full-day kindergarten with wrap-around before- and after-school child care, with significant implications for cost, staffing, quality and access.

Together these financial uncertainties, gaps and policy uncertainty have put enormous pressure on parents, service providers, municipalities, unions and community organizations as they have tried to secure, maintain, find or pay for services in their respective roles, balance the books and plan for the future. In this environment, the City of Toronto, Ontario's largest child care service manager, a contributor to public child care funding and a long-time leader in high quality early childhood education and care has a strong interest in ensuring (and growing) a supply of services, continuing to use (and enhance) the best available evidence in the pursuit of high program quality, maintaining (and improving) affordability, continuing to ensure that services are delivered as effectively and efficiently as possible and maintaining existing service levels for low income families by ensuring that its complement of fee subsidies will – at least – be maintained at current levels.

Within this context, this paper attempts to gather together information and ideas to contribute to the debate about how the City of Toronto can continue to play a leadership role for accessible, high-quality early childhood education and care in Canada.

III. Leading in early childhood education and care for 130 years

EARLY TIMES[5]

Since the 19th century, the City of Toronto[6] has been a leader in early childhood education and care. The Toronto Board of Education first opened public kindergarten in 1883, the second jurisdiction in North America to do so. Ontario officially recognized kindergarten in 1885, and by 1900 there were provincially-funded kindergartens in towns across Ontario.

[5] Much of the material in this section comes from Friendly and Prentice, 2009.
[6] It should be noted that what is now the City of Toronto was not the City of Toronto in the 19th century .

A few day nurseries and crèches opened in Toronto before 1900 but it wasn't until World War II that their development began in earnest when the *Dominion-Provincial War Time Agreement* funded child care services to support mothers working in essential wartime industries. The agreement, providing 50 per cent federal/provincial cost-sharing, was taken up only by Ontario and Quebec[7]. Many of Ontario's wartime child care centres were in Toronto, where the local government operated most programs.

After the war, the federal government revoked the *Dominion-Provincial War Time Agreement* and Quebec and Ontario announced closure of their child care centres. However, Toronto retained many of the wartime centres, perhaps due to public pressure organized by the Day Nursery and Day Care Parents' Association, Canada's first documented child care advocacy group. Ontario passed *The Day Nurseries Act*[8] in 1946, shifting administration to municipalities from the Province, each of these paying 50 per cent of child care centres' operating costs. It wasn't until 1966, with introduction of the Canada Assistance Plan, Canada's first (and only) national welfare legislation, that the federal government resumed some limited funding responsibility, establishing an overall approach to public funding for child care as a residual welfare program that continues to the present day in most of Canada.

The City of Toronto's roles and responsibilities in child care

Today the City of Toronto plays several roles in child care, some provincially mandated. *The Day Nurseries Act* defines municipal governments' roles in regulated child care in financing, management and administration, financing and operation of public services.[9]

[7] There were only six wartime day nurseries in Quebec; most were in Ontario.
[8] The 1946 DNA was Canada's first child care legislation.
[9] There is no mandated local government role in child care in other provinces; in Quebec, all school-aged child care for 4-12 year olds is operated by schools and AB and SK have a few municipally-operated child care centres. The City of Vancouver has adopted a planning role, as have several other BC local governments but these are not mandated or defined in BC child care legislation.

- Local service management

The role of Municipal Service Manager is perhaps the key role for the 47 municipalities, termed CMSMs (Consolidated Municipal Service Managers) and DSSABs (District Social Service Administration Boards) in Ontario. As the system manager, Toronto's Children's Services Division manages public financing and undertakes planning for private non-profit, private for-profit and publicly operated child care services. The City finances 20 per cent of the budget for fee subsidies, some wage grants, family resource programs and resourcing for special needs children, and 50 per cent of administration costs and some wage grants. The remaining 80 per cent and 50 per cent, respectively, are contributed by the provincial government[10]. There are as well some instances whereby provincial funding does not require municipal cost-sharing and some funding that the provincial government does not cost-share.

Municipal Service Managers have a vital role in administering the fee subsidy program. While the provincial government sets the criteria determining which parents are income-eligible to be subsidized under a provincial income test, and which services are broadly eligible to receive subsidized families, Ontario municipalities may set policy to further define the operation of the fee subsidy program. For example, a number of municipalities (Ottawa, Peel, Sudbury and Toronto) do not offer service contracts to new for-profits. As an additional component of public accountability, the City of Toronto requires an annual line-by-line budget from contracted services delivering subsidized child care.

- Service delivery

Ontario municipalities play two key roles in the operation of child care services: a) manager of fee subsidies and other public funding for community-based and for-profit child care services; b) direct operation of public child care services.

---

[10] Until the Canada Assistance Plan was terminated in 1996, the federal government contributed 50 per cent of funding for eligible child care services such as fee subsidies, so public funding was shared 50 per cent federal, 30 per cent provincial, 20 per cent municipal. The Canada Social Transfer, a block fund, now transfers funds for social services and PSE from the federal government to the provinces. It is presumed that funds for child care are included in this funding scheme but – unlike CAP – there is no accounting for how funds are spent.

There are about 940 regulated non-profit, for-profit and directly-operated child care centres and 20 family child care agencies (with more than 900 supervised child care providers) in the City of Toronto providing, in total, approximately 57,000 regulated child care spaces. This means that there is more regulated child care in the City of Toronto, with its population of more than 2.5 million, than in nine of the 13 provinces and territories.

As the Municipal Service Manager, the City plays a key role with non-profit and for-profit programs including managing the lengthy and growing waiting list for subsidies. About 70 per cent of the centres and family child care agencies in the City hold service contracts to provide subsidized child care. The 2010 Service Plan notes that Toronto's subsidy waiting list has grown from about 4,000 in 2004 to almost 18,000 as Ontario shifted from a needs test to an income test (City of Toronto, 2010).

In addition, Toronto is one of the 30-plus CMSMs/DDSABs and sub-municipal units such as towns and counties that operate child care centres and family child care agencies, a role defined in *The Day Nurseries Act.* Toronto's 56 publicly operated child care centres and one publicly operated family child care agency represent 6 per cent of Toronto's regulated child care (non-profits comprise 69 per cent; for-profits, 25 per cent of regulated spaces).

The City's publicly operated centres provide high-quality child care. Toronto-based research, like the much larger body of relevant research from other jurisdictions, show that non-profit programs generally provide higher quality child care than for-profits[11]. The same research also shows that municipally operated centres offer the highest quality of care (Cleveland, 2008).

- Service planning

Another major role for the City of Toronto is the development of successive local service plans, an effective planning tool required by the province of all CMSMs

[11] See Childcare Resource and Research Unit (2010) for an up-to-date bibliography of this research online at www.childcarecanada.org/pubs/pdf/BN_privatization_biblio.pdf.

and DDSABs since 2000. Toronto has been engaged in child care service planning since the early 1980s and has developed considerable expertise with the process. The City is currently in its fourth five-year planning cycle since 1993; the current service plan is for the period 2010-2014. The City, widely-regarded as a leader in competent child care service management, describes the role of service planning in its management as follows:

> *… a tool for guiding the funding and management of Toronto's children's services system over the next five years. The plan is approved by Council, and is a framework for action for the City's role in managing services that meet the early learning and care needs of Toronto children and families. The plan provides a comprehensive overview of child care service needs, gaps and issues, and identifies the mix and level of child care services appropriate to local needs and priorities within a framework of provincial legislation, regulations, standards, policies and priorities* (City of Toronto, 2005).

- Data, research, innovation and evaluation

The City of Toronto engages in research and evaluation activities that assist and enhance its capacity for effective planning, resource allocation, ensuring public accountability, assessing and improving quality, evaluating practices and testing new ideas. To help achieve its mission of managing equitable delivery of high quality, publicly-accountable services, Toronto Children's Services maintains a sophisticated information system that supports subsidy eligibility and placement, allocation of resources, funding of service providers and monitoring of compliance with the City's Operating Criteria. The City's database is unique in its richness and capability for supporting service planning, policy development and applied research. Detailed budget information collected for accountability purposes from individual child care agencies enables City staff to monitor and control actual operational costs, to understand and address the implications of staff salaries, qualifications and turnover on services. The database has been one of the features that has contributed to a well-developed approach to service planning and to program support. The data are required for operational purposes, so are regularly updated. Toronto's data collection and analysis capacity and use of data as a policy, management and planning tool is more developed than other municipal and provincial data systems in Canada.

A focus on quality has become an increasing interest for Ontario municipalities, a number of which are now concerned about not only “more child care” but “better child care”[12] as solid child development research shows that quality matters: high quality child care can be a benefit to children developmentally and educationally, while poor quality child care can have a negative influence (Penn, 2009). The Toronto Operating Criteria, an innovative public management tool, is administered in public, non-profit and for-profit centres to promote ongoing quality improvement, determine services’ eligibility for service contracts and to evaluate whether City goals and objectives are being met. In addition, the Criteria ratings are publicly available for parents’ use on the Children’s Services Division’s website.

In summary, the City of Toronto has developed effective tools and systems for its child care services that provide a good base for strengthening effective public management to meet its goals

The next section of this paper moves to consideration of how models or approaches to funding affect service delivery, particularly quality and access.

IV. How child care is funded matters

It is intuitively obvious that access to and quality of ECEC services are significantly affected by how much public funding is available. As the Organization for Economic Co-operation and Development (OECD) noted in the final summary report of a 20-nation comparative ECEC review:

> *Significant public funding is necessary to support sustainable and equitable early childhood education…without this…, a shortage of good quality programmes, unequal access and segregation of children according to income follows. When the main burden of costs falls on parents, children from disadvantaged backgrounds*

[12] For example, a program called “Raising the Bar” (i.e., the bar on quality) is used by a number of municipalities.

> *become less represented in ECEC provision or the quality of provision is inadequate (OECD, 2006: 112).*

The commonly used benchmark for minimally adequate public investment in ECEC is *at least* 1 per cent of GDP for children aged 0-5, first used by the European Commission in 1996 and since adopted by the OECD and UNICEF (OECD, 2006; UNICEF, 2008).

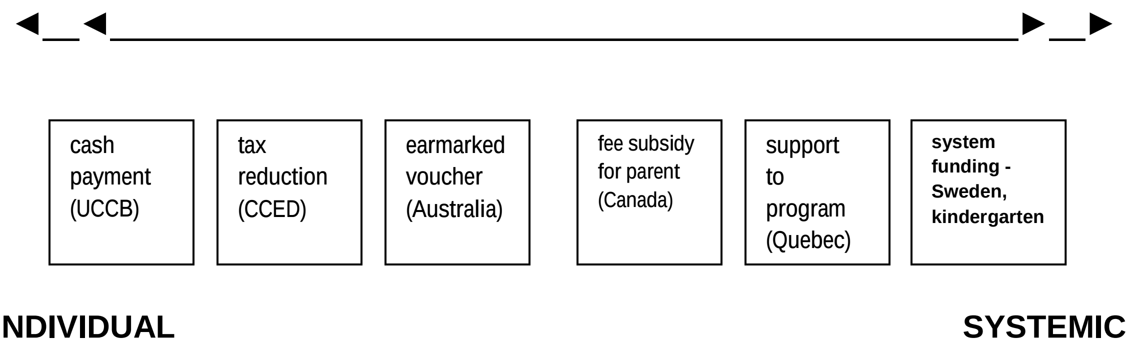
The research shows, however, that not only does *how much* public funding is provided have an obvious impact but that *how* it is funded is also of key importance for ensuring effective ECEC programs. The Organization for Economic Co-operation and Development further noted that

> *…a public supply side investment model, managed by public authorities, brings more uniform quality and superior coverage of childhood populations than parent subsidy models…The strategy of directly funding parents, while politically attractive, may further weaken government steering of the early childhood field. Whatever the reason, the review suggests that direct public funding of services brings, in the majority of countries reviewed, more effective control, advantages of scale, better national quality, more effective training for educators and a higher degree of equity and access and participation than consumer subsidy models (OECD, 2006: 114).*

The term used by economic organizations like the OECD to mean public funding that directly base-funds program budgets is “supply side” funding, in contrast to consumer subsidies (called “demand side” by economists), meaning public funds given to individual parents so they can purchase services (or have services purchased on their behalf) as consumers. These child care funding models are linked to conceptions of parent choice and to governance and operation, specifically, to how publicly-managed or how marketized ECEC is.

One way to think about this is as a continuum running from very individualized/privatized models where funds are closely attached to individual families, to more systemic models that fund services more globally (program and system-oriented funding approaches are sometimes called “base-funding” in Canada). The continuum of models is not black-and-white but rather a series of points along an individual/system) dimension. Figure 1 shows how some of the funding schemes now used in Canada and elsewhere fit into this concept.

FIGURE 1. APPROACHES TO ECEC FUNDING: A CONTINUUM



This diagram shows how approaches to publicly funding ECEC programs fit along an individual/systemic dimension. The most individual approaches are cash payments such as the Universal Child Care Benefit (UCCB) with “no strings attached”. These may be spent on ECEC, children, or any other choice made by the family. The Child Care Expense Deduction (CCED) is more restrictive, reducing taxable income by employment-related child care expenses of any kind, while the Australian child care benefit is a voucher for regulated child care only. All of these public funds are paid to the parent while Canadian fee subsidies are paid to regulated child care but only on behalf of an individual parent who is deemed eligible.

In base-funded models such as Quebec’s, public child care funding is paid to individual regulated child care programs to cover the program’s budget, not just those families deemed “needy”.

System funding – the “fund the system” approach used in public education and in most European countries – supports a system of ECEC services, not free-standing programs. In this approach, public funds are flowed to an ECEC system that manages the funds to support services that are part of its system of services.

It should be noted that these funding models are associated with ideas about how countries with different approaches to the welfare state shape public policy (see Friendly and Prentice, in press). Thus, these three funding models go hand-in-hand with how services are organized, operated and used, as Table 1 shows.

It should also be noted that in Canada and elsewhere, ECEC programs that are substantially base or program-funded – even those that are fully universally accessible – may, or may not, be “free” to parents. For example, child care programs in Quebec and Manitoba, Sweden’s 0-6 “preschools” and France’s after-school programs all include a parent fee. In addition, there are multiple ways to arrange ECEC user fees; that is, there is a variety of possible mechanisms to determine how much and how parents pay fees. For example, as following sections describe, some jurisdictions use geared-to-income (sliding) scales, while some charge a flat fee (same for all).

IV. Three approaches to ECEC funding[13]

Analysis of ECEC funding models must address two financing issues: a) how public funding gets to the service and b) how parents pay. This section explores three main models, or approaches that ECEC funding can take. We have termed these “Fund the parent,” “Fund the program” and “Fund the system.” Table 1 sums up the main characteristics of each, looking at them from both parent-user and service provision perspectives. The table is followed by more detailed descriptions and examples of each approach now in place in Canada and elsewhere.

TABLE 1. MAIN CHARACTERISTICS OF THREE APPROACHES TO ECEC FUNDING

KEY QUESTIONS	“FUND THE PARENT”	“FUND THE PROGRAM”	“FUND THE SYSTEM”
Which parents are eligible (for public funding)?	Public funding may either be universal or selective/targeted to families selected by characteristics such as income or employment status.	Funding tends to be primarily universal, with programs accessible to all. Priorities for admission may or may not be set if supply of services is not adequate.	Funding is almost always primarily universal; programs accessible to all. Priorities for preference for admission may or may not be set if supply of services is not adequate.

[13] The “three models of ECEC funding” concept was developed by Jane Beach and the author for a concept paper prepared in 2009 for the Mothers’ Voices Project of the New Brunswick Child Care Coalition.

Who pays, and how?	Public funds are paid either to individual parents, who then pay for the service or paid to the service by government on behalf of individual parents in financial or other need ("fee subsidy"), replacing the user fee.	Government pays much/most of the cost, paying individual services with public funds according to a formula or set categories. Parents may (usually do) pay fees as well, which may be a flat fee or geared to income (sliding scale).	Government pays much/most of the cost. Funds go to a public system manager such as a local government or education authority that in turn supports its programs using the public funds. Parents may pay fees as well, which may be a flat fee or geared to income (sliding scale).
Who develops, operates, manages, owns programs?	Service development is primarily market-driven. Public management is usually limited to determining parents' eligibility and flowing funds to programs, though it may also include regulation and (less often) planning and policy-setting roles. Provision and programs are mostly private though there may also be some public services.	Development of services is often primarily market-driven. Public management may include a planning and policy setting role[14]. Program ownership is mostly private (non-profit and for-profit) though there may be some public services too.	Development of services is systematic, planned. Public management is considerable, with a substantial planning and policy-setting role. Program ownership usually primarily public, although there may be some private non-profit delivery; profit-making services are less common.

[14] Note that the role of ON municipalities as service manager is a fairly developed public management role (service planning, policy-setting, etc.) although child care programs are individually owned and operated.

Model #1: "Fund the parent" approaches to ECEC funding

"Fund the parent" approaches may be universal, selective or targeted but are characterized by their individual or privatized financing approach, attached to an individual parent or family – that is, the funds are for *this* child. The idea of "parent choice,[15] meaning, in this case, parents having individual responsibility, is often at least part of the rationale for "funding the parent" rather than the program or system. "Funding the parent" contrasts both with base-funding to free-standing child care programs and with funding ECEC systems that include multiple programs intended to provide parent choice, defined as "options" in this case.

In Canada, there are currently three main public funding methods that take a "fund the parent" approach: the federal Universal Child Care Benefit (UCCB), the federal Child Care Expense Deduction (CCED) and the child care fee subsidies used in each province and territory except Quebec.

The UCCB and the CCED use different mechanisms but each is paid directly to individual families by the federal government (in the case of the CCED, the payment is in the form of foregone tax revenue). The eligibility requirement for receiving a UCCB cheque for $100 in the mail each month (taxable) is having a child up to six years of age. Thus, it is universal: all families with age-eligible children receive the cheque. How the UCCB is spent – on child care or something else – is the parents' decision[16].

The more selective and restrictive CCED is intended to "recognize and offset child care costs up to age 16 incurred by parents who work, carry on a business or pursue education". It is a deduction from taxable income by the lower income spouse of up to $7,000 for children up to age seven years or $4,000 for children aged 7-16. There is no specification of the kind of child care – regulated, unregulated, centre-based, etc. but a receipt for child care expenses may be requested by the Canada Revenue Agency.

[15] Thanks to Brooke Richardson, Ryerson University MA student, for her thoughts about deconstructing the term "parent choice."

[16] The UCCB website at http://www.universalchildcare.ca/eng/home.shtml, which is no longer active, identified a variety of ways that families could use the UCCB including regular and occasional child care, learning materials and RESPs.

Fee subsidies are another kind of “fund the parent” mechanism used in all provinces except Quebec (see description of Quebec’s approach below). Although subsidies in Canada are paid to child care programs, not to the individual parent, subsidies are a form of voucher as they are targeted to an individual family deemed to be income-eligible by provincial/territorial income tests. Subsidies are intended to stand in for the user fee (or part of the user fee) for an individual eligible family.[17] In most provinces/territories, they are paid to an individual child care program by each provincial/territorial government while in Ontario, the subsidy budget is flowed to the 47 CMSMs/DDSABs by the Province; Municipal Service Managers then pay these funds to individual child care programs.

Historically, fee subsidy eligibility mechanisms used by provincial/territorial governments were tied to the requirements of the Canada Assistance Plan (CAP). Although CAP was cancelled in 1996, today’s provincial/territorial child care subsidy systems still use the mechanisms required by CAP’s child care provisions. CAP specified that provinces were required to use one of two approaches to test parents’ subsidy eligibility: needs testing (which could be used in any kind of child care – unregulated, for-profit, etc.) and income testing (which could only be used in regulated public or not-for-profit child care). The needs testing provisions specified by CAP were used by Ontario until 2007, when Ontario became the last province to move to income testing (two territories still needs test parents). Essentially, Ontario’s income testing mechanism is a geared-to-income sliding scale that tops out with full user fees for families at $75,000+ net income.

Needs testing was considered more intrusive and stigmatizing for families than income testing as it required the parent-applicant to submit rent receipts and documents such as bank statements, while income testing determines subsidy eligibility based on net income, family size and child care costs. Municipal

[17] In some provinces, all eligible children are subsidized (in part, at least) while in others, including Ontario, there are subsidy waiting lists. Generally, all the provinces limit parents’ use of subsidies in one way or another (See Beach and Friendly, 2005, for further details).

Service Managers may set out other conditions as well, so parents who are income-eligible may or may not qualify for a subsidy depending on where they live in Ontario. For example, in one CMSM, a parent who is a teacher may be required to find a summer job to continue to be eligible for a subsidy, while this may not be so in another. Municipalities may also set out additional criteria for service eligibility as well, as, for example, the Toronto Operating Criteria.

All provinces/territories except Quebec use a variation of this kind of fee subsidy eligibility mechanism.[18] Most also provide some – usually more limited – funding through "Fund the program" approaches, usually wage grants of some variety. More details about Manitoba's and PEI's mixed-model approaches are discussed in the "Fund the program" sections below.

Model #2: "Fund the program" approaches to ECEC funding

"Fund the program" approaches are more universal in conception and format than "fund the parent" models. In these, public funding goes to a child care program as "base" or program funding to fully or partially support the collective costs of operating the program used by children across parental income or employment status categories. "Fund the program" and "fund the system" funding models are in turn different from one another in that in the former, funds go to free-standing or small units of ECEC services rather than to a unified system. In the latter – a "fund the system" model – a unified system receives the funds. Funding individual child care programs rather than systems tends to keep planning, service development and service delivery market-driven although public policy and provincial and local planning can shape ECEC markets to some extent. The role of Municipal Service Managers in Ontario in service planning, policy development and financial administration is a good illustration of how public management can play a "steering" role even in a market-based child care environment.

Most of the provinces use "fund the program" (base-funding approaches) to some extent but these are usually fairly limited. Wage grant-type funding in a

[18] For more details about funding details in each province and territory, see Beach et al, 2009.

number of provinces fits the base-funding model. For example, when Ontario's Direct Operating Grant (the "DOG") was introduced in 1987 (foreshadowing wage enhancement), it was described as funding child care more globally in order to raise staff wages while reducing (or holding down) parent fees for all families.

The provinces using the most developed "fund the program" approaches in Canada are Quebec and Manitoba, now joined by PEI, whose new program was initiated in 2010. Two noteworthy financing elements enable effective provincial-level planning and financial management in these provinces (and elsewhere):

- All three set province-wide parent fees (Quebec sets a fee of $7 a day per child for all age groups; Manitoba sets maximum fees that vary by age group – Infants: $28/day; Preschool: $18.80/day; School-age: $12.18/day[19]; and PEI will set fees of $25/day across age groups);
- In all three, province-wide salary scales play a key role in predicting and managing costs and quality. Wages in Manitoba and PEI[20] are based on provincial salary scales worked out between the provincial government and the early childhood organizations. In Quebec, collective bargaining covers most CPEs, establishing a broad wage scale, although not one set by the provincial government in the same way.

In other ways, however, the "fund the program" mechanisms in Quebec are quite different from those in Manitoba and PEI. For example, these provinces differ considerably with respect to "care" and "education." In Quebec and Manitoba, kindergarten and child care are quite separate (in separate ministries) while in PEI, kindergarten and child care are now considered within one policy and one department (Education), although they are separate programs. All three provinces provide kindergarten only for five year olds (although Quebec and Manitoba have some limited four year old kindergarten). In Quebec and PEI,

[19] Maximum fees in family day care are $20.40/day for an infant, with the other age groups the same as for centre-based case.
[20] This is not yet in place in PEI but is in the implementation stage.

kindergarten is full-school-day while in Manitoba it is part-day. Kindergarten in Canada is always funded using a “fund the system” approach.

“Fund the program” approaches to child care in all three provinces are described in detail below.

- Quebec

Quebec’s “educational child care” program for 0-4 year olds is Canada’s most fully-developed example of “fund the program” base-funding. Services include a) CPEs (centres de la petite enfance) – small neighbourhood-based networks of non-profit centres; b) garderies or for-profit centres, and c) family child care networks. The public funds paid directly to each program are expected to cover the bulk of program operating costs. The combination of the public funds and the flat rate parent fee of $7/day for 0-12 year olds are intended to cover all operating costs for child care.

Thus, the provincial government base funds most of the full cost of operating CPEs, garderies and family child care networks[21] (less the $7/day fee per child) using a “basic allowance” or operating grant mechanism. The funding is generally based on annual operations but the Quebec government flows funds to programs on a monthly basis so there will be a regular income to allow service providers to budget with predictable revenue. There are three basic allowance possibilities for types of child care, all of which are calculated according to the number of annualized spaces on the license, annual occupancy and annual occupancy rate.

[21] Family child care networks may or may not be part of a CPE.

- The basic allowance grant for a CPE is calculated based on:

a) "Expenses related to premises" – includes occupancy costs, based on a flat fee for the first 30 centre-based spaces and an additional per space amount above that.
b) Overhead – Flat rate amounts for administrative and other costs for the first 60 spaces plus an amount for each additional space.
c) A flat rate payment for child care and educational expenses per child per day determined by the age group.
d) A "performance" deduction is made from the grant if annual occupancy rate falls below 85 per cent.

- The basic allowance grant for a garderie is calculated based on:

a) A flat rate for each annualized space.
b) A "performance" deduction for occupancy below 85 per cent.
c) A flat rate for child care and education expenses based on child's age.
(Note that the daily flat rate(c) grant is higher in non-profit CPEs than in garderies, which are almost all for-profit).

- The basic allowance grant for family child care[22] is calculated based on:

a) Annual budget based on number of places to each family child care Coordinating Office (i.e., agency).
b) A flat rate per child for child care and educational expenses based on child's age.

There are additional supplementary grants for such things as insurance, pensions, maternity leave payments, additional funds for operating in a disadvantaged area and integration of children with special needs as well as several kinds of one-time only grants. Capital grants have been small since 2004 when the primary larger capital funds available to CPEs were eliminated.

Quebec spends almost all its provincial child care budget using a "fund the program" approach; there are no fee subsidies. Parents with children aged 0-4 who are on social assistance and not in the paid labour force are entitled to up to 23.5 hours per week of child care at no cost.

[22] Note that Quebec, like Ontario, uses an agency or network model for family child care, with family child care networks part of CPEs in some instances and free-standing agencies in others.

In the 2008 provincial budget, the Quebec government introduced a new child care policy to allow families earning less than $80,000 a year to claim a rebate for receipted expenses spent in unfunded for-profit child care (garderies). There are no unfunded CPEs. The rebate is sent to parents every three months (Beach et al, 2009).

In 2008, of Quebec's $1.7 billion child care budget, less than $6 million was spent on capital, with the rest spent through the formulae outlined above.

- Manitoba

Manitoba's child care funding approach has also been unique in Canada. It uses what Manitoba terms "unit funding" – a well-developed combination of a "fund the parent" fee subsidy mechanism and a "fund the program" scheme.

Manitoba's unit funding model, a mechanism that provides a base of revenue to programs, was introduced in 2001. It was established to equalize operating grant payments across programs so as to provide sufficient operating revenue to enable payment of comparable wages to ECEs whether they work with infants, preschoolers or school-agers and to keep parent fees relatively affordable. Unit funding is available only to non-profit programs (and to all non-profit programs); for-profit centres licensed before 1991 receive a small grant-type payment.

The unit funding model is based on a combination of operating grants and parent fees/subsidies. As in Quebec, there is a province-wide parent fee set by the provincial government.[23] Unlike Quebec's, Manitoba's maximum fees vary by age group.

Fee subsidies fit neatly into Manitoba's unit funding approach: the "unit" of $260 a day is made up of:

the subsidy (full or partial)

+ the parent fee

+ the operating grant

X the number of children in the unit (based on staff:child ratios).

[23] Unfunded programs may charge whatever they choose unless they enroll subsidized children.

The unit funding model bases the number of children in the “unit” on staff:child ratios, so there are four infants in an infant “unit,” eight in a preschool “unit;” and 15 in a school-age “unit.” In order to operate effectively, the unit funding model requires: a) both operating grants and set parent fees; b) that fee subsidies are equivalent to the fee, and c) wages that are pegged to a province-wide salary scale for child care staff. The salary scale used by the provincial government was developed by the Manitoba Child Care Association. In comparison to Quebec, Manitoba has a relatively small unionized child care sector.

Part of Manitoba’s subsidy concept is a surcharge of $2.00/day for a subsidized parent; this is calculated into the unit funding formula.[24] In 2008, the subsidy turning point (one parent one child) was $15,593; the break-even point was $27,796. Both non-profit and for-profit centres may enroll subsidized children.[25] Manitoba’s fee subsidy program is quite streamlined: there is a simple province-wide income test and parents can apply online or by mail-in.

Note in the box below that the operating grant for an infant – $37 a day – is higher than the daily set parent fee of $28 while for the other two age groups (which are less cost intensive due to lower staff:child ratios), the operating grant is lower than the fee; this is designed to ensure that parents can afford the fee (relatively) regardless of the age of the child, and that the revenue allows wages to meet the province-wide salary scale.

[24] If the parent is on social assistance, $1.00 of the $2.00 subsidy surcharge is paid by the Employment and Income Assistance Program. Services may not surcharge subsidized parents more than $2.00.

[25] About 5 per cent of centre spaces are for-profit.

Daily revenue: Operating grant + parent fee per child by age group								
	Daily – per child		Daily – per unit					
	Fee	Operating Grant	Revenue		Unit		Days
Infant	$28.00	$37.00	$65.00	X	4	X	260
Preschooler	18.00	13.70	32.50	X	8	X	260
School-aged	12.18	5.15	17.33	X	15	X	260

These grants are lower in regulated family child care homes and group family child care homes (in Manitoba, both of these are individually licensed by the province, not agency-supervised as in Ontario and Quebec) and lower in part-day nursery schools. Programs that offer extended hours care receive one and a half times the operating grant. The provincially set maximum parent fees are the same by age group across types of services.

In its annual Recommendations to the Minister for 2009-2010, the Manitoba Child Care Association (MCCA) recommended that the government begin to explore a more seamless approach to ECEC under the Ministry of Education. The organization identified current public financing levels as having a significant negative impact on staffing issues and on Manitoba child care generally, stating that:

> "The combination of parent fees and government operating grants must increase to, and remain at, a level that will cover the cost of high quality in early learning and child care services in all spaces licensed by the Manitoba Child Care Association (2009)."

In 2008, 54 per cent of Manitoba's provincial child care budget ($105,000,000) was spent on the "fund the program" unit funding approach, compared to 33 per cent ($34,900,000) spent on "fund the parent" fee subsidies (Beach et al, 2009).

- Prince Edward Island

There have been significant recent changes in ECEC policy and programs in Prince Edward Island (PEI) as the provincial government announced an extensive overhaul of its child care and kindergarten programs in 2010. Like the Ontario move to Full-Day Early Learning, the PEI changes were introduced by a government-commissioned implementation report developed by an expert from outside government. The PEI report, like Ontario's, involved considerable research on policy options and province-wide consultations. As well, the PEI *Early Years Report*, like Ontario's *Best interests in mind* report, counseled that to facilitate a successful transformation, the recommendations be treated as a coherent "package."

PEI is Canada's smallest province by population, which – at only 145,000 – is considerably smaller than the City of Toronto. In comparison to Ontario, PEI has a limited ECEC history. PEI didn't introduce publicly-funded kindergarten until 2000, the last province to do so. "Public" kindergarten in PEI was initially provided under provincial child care legislation, delivered by private (for-profit and non-profit) child care centres, with two-year diplomaed ECEs – mostly from the Island's Holland College – as teachers. It has been observed that provision of publicly-funded kindergarten in PEI's child care centres provided them with some stability and strength in the years between 2000, when kindergarten was introduced and initiation of the new program in 2010. That is, while the kindergarten funding was intended for the program for five year olds, the ripple effect of stable enrolment and in-service training had positive effects on the provision of programs for children across the whole age span (Flanagan, 2011).

Over the past 15 years, the non-profit child care sector in PEI had declined as most expansion was in the for-profit sector; by 2008, almost 60 per cent of PEI child care was for-profit, virtually all owned by small owner-operators. While PEI has shown a higher than the Canadian average rate of availability of regulated spaces per child, the province has also shown one of the lowest rates of public spending per space (Beach et al, 2009).

PEI EARLY YEARS REPORT KEY RECOMMENDATIONS (2010)

- Move all ECEC into the Ministry of Education with expanded discretion, planning, support, curriculum, data collection roles for government;
- Full-school day kindergarten for all five year olds operated by school boards;
- Publicly funded Early Years Centres for 0-4 year olds operated by mandated community governance structures, supported by provincial resources and developed using a public planning process;
- New Early Years Centres must be non-profit while existing for-profits may be grand parented; operating funds to for-profits will be phased out over a five-year period;
- Early childhood training for all ECEC staff/teachers including those teaching kindergarten, who will become ECEC specialist teachers;
- Provincially-set parent fees;
- Salary scale negotiated with the provincial Early Childhood Development Association;
- Unit funding model combining set parent fees, fee subsidies and operational/base funding based on Manitoba's model.

Other key elements proposed include improved wages, expanded infant child care, a common curriculum framework across all ECEC programs, mechanisms for community involvement and enhanced ECE training opportunities for all personnel (Flanagan, 2010).

The proposed changes in ECEC in Prince Edward Island are very significant, particularly when considering that PEI is a small rural province and has not historically been a national leader in the field. It represents a substantial shift towards more publicly-funded, publicly-managed, delivered and planned programs. Although no role is set out for municipalities,[26] Early Years Centres are to be governed by a mandated quasi-public localized structure while

[26] The primarily rural province has quite limited municipal organization. While there are 75 local municipalities, only Charlottetown and Summerside have populations over 10,000, with most local government organizations numbering their populations in the hundreds.

kindergarten has now become a publicly-delivered program. The proposed public funding to Early Years Centres is envisioned to be set to move from an almost entirely “fund the parent” (subsidy) approach to a mixed approach like Manitoba’s that would ensure more sustained base-funding. Funds for public kindergarten have moved to a “fund the system” model under school boards.

It is interesting to note some aspects of the history of the new PEI initiative that are relevant to Ontario’s ECEC environment. Initially, PEI’s provincial government had made a commitment to move kindergarten to the public school system from child care centres. This was predicted to have a devastating effect on the child care sector, with anticipation of failure of child care’s viability as “less expensive” publicly-funded five year olds moved to the school system, an anticipated exodus of qualified ECEs to kindergartens and forecasting of a prohibitive increase in parent fees for younger children. These concerns were a significant impetus for the ultimate redesign of a more coherent, unified ECEC program (Flanagan, 2011).

The provincial Premier announced in 2010 that PEI’s provincial government would be moving forward with the full recommendations with substantially increased funds included in the 2010 provincial budget. Full-day kindergarten delivered as part of the public education system by school boards began in September 2010 and the first round of 36 Early Years Centres was announced at the end of the summer of 2010 and began to operate in September.

Model #3 “Fund the system” approaches to ECEC funding

A “fund the system” approach treats ECEC as an integrated system with interconnected parts, not as individual parents exercising their own purchasing power or free standing services. In “fund the system” approaches, public funds flow to a local system manager (for example, a municipality or school board) which then funds the component parts of its system whether they are schools, centres or other services.

While “fund the system” approaches are primarily publicly funded, they may – and often do – include parent fees as well. If there are fees, they are usually set by government; the mechanism is either a geared-to-income scale or a low flat fee. In some instances, some portions of a system are provided free-of-charge while there are fees for other components. A good example of this approach is the French system, where écoles maternelles (publicly delivered ECEC programs from two or three years of age) are free to parents, while there are geared-to-income fees for after-school périscolaires.

In "fund the system" approaches, government plays a major role in planning and establishing services and, most often, delivers most of them as well. "Fund the system" approaches are more likely than the others to blend child care and kindergarten in one multi-purpose ECEC program rather than separating them.

In Canada, kindergarten is system-funded as part of provincially mandated, locally-operated public education systems. Similarly, Sweden, France and other countries have long histories of "funding the system" not only for four and five year olds but for infants, toddlers and preschool-age children as well, using combinations of no fees[27] and affordable (usually geared-to-income) ECEC programs.

These systems offer universal or universal-type access and have developed comprehensive policies, planning and pedagogical frameworks by which all ECEC programs operate, though they are typically not "cookie cutter" replicas. Some locales that use a "fund the system" approach, for example, Reggio Emilia in northern Italy or Sweden, highlight the concept that individual services should vary in response to local community needs and – while pedagogy is guided by a framework, philosophy and goals – programming is developed in individual centres at the local or program level by well-educated, reflective teachers.

"Fund the system" approaches are, typically, mostly publicly-operated, usually by local municipal or education authorities.[28]/[29] This does not mean that

[27] A no-fee model for full school-day ECEC down to age two or three is a common one, used in France, Spain, Italy and other countries.

[28] In several European countries (e.g., Denmark and Norway) with publicly-funded ECEC systems, there are fairly substantial non-public community-based sectors. In others, such as France, they may incorporate

there are no private (usually non-profit) programs but that the system does not depend on these to ensure service provision. A strong public management role facilitates more effective, methodical planning than is feasible in marketized situations that rely on private entrepreneurs and community organizations. Fundamentally, the idea of a publicly-funded system – especially a system under the aegis of education – is contrary to the idea of privatized market provision, especially reliance on for-profit provision or on unregulated care – the most privatized form of child care provision.

A comparative consideration of ECEC shows that just about all well-developed ECEC systems take a universal-type approach although this does not mean that waiting lists never exist. All families who choose to may participate; there are usually no eligibility criteria other than age or residence, although priorities may be set if there are shortages. In some instances such as most provinces' kindergartens in Canada (as well as ECEC for younger age groups in Denmark and other countries), an entitlement to ECEC is stated public policy. In contrast, ECEC situations that "fund the parent" are more likely to target services or funding to those assumed to be in the "greatest need" while leaving modest, middle class and affluent parents to find privately-funded privately-provided provision.

In a funded ECEC system, individual programs are not solely responsible for securing enough funds to cover their own budgets as they are in "fund the parent" or "fund the program" approaches. Rather, ECEC services are part of broader, usually geographically-based structures such as a municipal government or a school board. This approach maximizes resources through system-wide planning, purchasing, and staff resources such as professional development and salary scales rather than duplication.

---

some community-operated programs but these are quite limited. In yet other countries with funded ECEC systems (Italy and Spain for example) there are quite a few Church-operated programs.

[29] 2010 data from Sweden show that the non-public sector has been increasing, now comprising about 18 per cent of preschools, up about 2 per cent since 2004. The private category includes parent and staff cooperatives, church, other associations and increasingly, private companies (Anita Nyberg, personal communication, 2010).

Sweden

In considering elements of ECEC policy such as financing, planning and management, it is useful to look outside Canada's borders to Sweden. As British ECEC expert Peter Moss points out, comparative studies examining what's working well, how and why, are an invaluable source of information about ECEC (Moss, 2011). Evidence from comparative studies (OECD, 2001, 2006 and UNICEF, 2008) support the idea that Sweden offers one of the best examples of "getting it right" for children and families with a range of family policies that extend considerably beyond the ECEC system. This section provides a brief overview of relevant information about Swedish ECEC financing and organization as well as more detailed information about the nationally-set parent fee structure.

ECEC has been an important part of Swedish social policy for more than three decades, with the twin aims of assisting parents to combine work/family and encouraging children's development and education. Sweden's approach blends child care, early childhood education and kindergarten into "preschool centres" that offer a seamless program that is neither child care nor nursery school nor kindergarten.

Most ECEC in Sweden is publicly delivered by municipalities, with the National Department of Education providing overall policy direction. There are well defined roles for the national government and municipalities. The Ministry of Education and Science is responsible for ECEC policy development, curriculum, goals and guidelines but there is considerable local autonomy in these areas. The national government provides block grants to municipalities and these local governments use these, together with additional funds derived from municipal taxes, for operating their ECEC systems.[30]

Municipalities have had mandatory responsibility for child care since 1975. They are responsible for monitoring quality and make the final decisions on how funds are spent. The national *Education Act* requires municipalities to provide

[30] Swedish municipalities have substantial taxation power and there is no sub-national government level like provinces or states.

sufficient child care for children aged one to twelve years without ”unreasonable delay” (defined as three to four months). In most cases, ECEC for children aged one to five years is located separately from elementary schools while the “pre-school class”[31] (for six-year-olds) and school-age child care tend to be more physically integrated with primary schools.

Since 2002, parent fees have been set at a national level in Sweden:

- 3 per cent of family income to a maximum of 1,260 kroner ($193 CAD) per month for the first child;
- 2 per cent of family income for the second child ($129 max); 1 per cent for the third child ($64 max);
- No charge for a fourth child;
- Starting at age four, children are entitled to 525 hours of free child care a year.

The Swedish ECEC workforce, long a relatively well qualified one, is educated using a common framework together with preschool teachers, elementary school teachers and staff for school-age programs in a post-secondary course of three and a half to five years; students specialize within this common framework (Kaga, Moss and Bennett, 2010). ECEC teachers in public preschools are municipal employees; their wages and working conditions are set at the local level by their collective agreements (Strath, 2004).

This section has examined ECEC funding models and how they shape services from a conceptual point of view with examples from inside and outside Canada. The beginning of the section noted that funding models, planning, governance and ownership are associated with political ideas or ideology about welfare regimes, the family and the market. For further discussion of this, see Friendly and Prentice, Chapter 5 (2009). The following section looks at how the conception of the Full-Day Early Learning program in Ontario and, where relevant, its implementation, fits into these three models.

[31] Compulsory schooling begins at age seven in Sweden and Finland.

V. A more publicly-managed ECEC system? *With our best future in mind*

Current Canadian trends

A recent analysis of Canada's ECEC situation using the lens of federalism (Friendly and White, in press), notes that a shift in ECEC conception and policy has been occurring as provinces have become more interested in early childhood education for all children while mothers' labour force participation continues to remain high. By September 2011, British Columbia, Ontario, and Prince Edward Island all had begun to offer public full-school day kindergarten, joining New Brunswick, Nova Scotia, and Quebec in offering full-day kindergarten for children in their fifth year.[32] Six provinces/ territories now situate both child care and kindergarten in ministries of education (or announced that this will occur) although in practice, they are mostly still separate programs.

Historically, Ontario has been the sole province to provide universal kindergarten for four year olds and the only province that has begun extending the Junior Kindergarten program to full-school day although British Columbia and Saskatchewan have stated that they are exploring the idea of extending ECEC programs to three and four year-olds. Currently, other than Ontario, none of the provinces provides even part-day kindergarten-like programs for four year olds on anything approaching a universal basis although several offer some public early childhood education programs for some children below age five, usually targeted to low income children: Quebec offers pre-maternelle for four year olds in some Montreal neighbourhoods, Alberta permits special needs three and four year olds to attend Early Childhood Service programs ; and Saskatchewan's pre-kindergarten program is provided for some identified high-risk three and four year olds.

---

[32] Note that in New Brunswick and Nova Scotia, kindergarten (pre-primary in Nova Scotia) has been compulsory for some years.

Ontario's ECEC changes have received considerable Canada-wide attention. While the new program as it has been rolled-out in its initial stage is different from the vision in *With our best future in mind,* it is useful to consider both the report and implementation to date through the lens of the three funding models discussed in the previous section. A number of the report's recommendations and some parts of implementation to date move toward a more publicly-managed system approach while maintaining "fund the parent" and "fund the program" elements as well.

"Fund the parent" approaches: Subsidies and parent fees

The *Best future in mind* report envisions fee subsidies and reliance on parent fees – both "fund the parent" elements – in the after-school program for four and five year olds and the Child and Family Centres for 0-3 year olds. The report's proposed Full-Day Early Learning program for four and five year olds was envisioned to include: a) a free-to-the-parent full school-day, and b) an integrated (same room, same staff team) extended day operated by school boards with an "extended" or "seamless" day option. The proposal was that parent fees would support the extended day/extended year components that would meet parents' work schedules with fee subsidies paying the fee on behalf of eligible parents. (See the "fund the system" section below regarding changes to this proposal in the implementation stage).

The report also envisioned a user fee/subsidy approach for child care to support Best Start Child and Family Centres networks (CFCs), with Municipal Service Managers administering the subsidy program. The provincial framework that will govern the roll-out of CFCs is under development as is the time frame.

Fee subsidies fit a "fund the parent" model whether used in CFCs, the extended part of a seamless day or in "wrap-around" before- and after-school programs. In this model, public funds are paid to services on behalf of individual families; families will need to qualify to have a fee subsidy; and eligibility will be targeted to lower income parents. Parents who are not eligible for a subsidy or unable to access one due to waiting lists will be expected to pay the full fee.

“Fund the program” approaches: Child care governance and operators

The *Best future in mind* report envisioned an enhanced public management role for municipalities with respect to CFCs for 0-3 year olds. In this concept, CFCs are envisioned to consolidate multiple services into publicly-managed and – in some instances – publicly-delivered networks. CFCs would offer: child care for children 0-3 years, prenatal and postnatal supports, parenting and family supports, nutrition information, early identification and intervention resources, and links to special needs resources and community resources.

Municipal Service Managers were envisioned as providing enhanced public management for CFC networks in each CCSM/DDSAB; municipalities were to be responsible for developing Early Years Service Plans “attached to multi-year, negotiated provincial-regional service contracts to secure the flow of funding to municipalities and school boards,” – an approach similar to the current municipal role.

Specific funding arrangements for CFCs were not specified in *Best future in mind* nor were the program’s goals and principles (for example, would child care as part of CFCs become universally accessible, or remain rationed?). The report calls for the funding to be “consistent, stable, and indexed…based on an equitable formula that reflects local costs,” leaving open that more money may be required.

A noteworthy recommendation concerning funding was to:

> “…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 Best Start Child and Family Centres, resources associated with regulation and oversight, plus all child care savings generated from implementation of the Early Learning Program (2009: 42).”

The report also proposes another noteworthy shift towards a more public, systemic approach: CFCs are envisioned to be not only *managed* by Municipal Service Managers but primarily *operated* by public or quasi-public authorities – municipalities (public), school boards (public); post-secondary institutions (quasi-public) and non-profit agencies – representing a significant step towards enhanced public management. This would be significant, especially in light of the considerable growth in the for-profit sector in Ontario since 2004 (Childcare Resource and Research Unit, 2009: 204).[33] The PEI *Early Years Report* includes similar recommendations to shift away from for-profit operation towards more public management (quasi-public, in PEI) (Flanagan, 2010) and this has indeed begun to happen.

"Fund the system" approaches – Full-Day Early Learning/Kindergarten

"Fund the system" aspects of Ontario's ECEC transformation are to be found in the programs for four and five year olds. *With our best future in mind* calls for a new blended full-day, full-year Early Learning Program for four and five year olds to meet both children's learning and care needs and parents' work needs – similar in structure to Sweden's ECEC programs for children aged 1–6 years as described above.

This meant that the day would be designed as one program – "all of a piece" from the child's perspective. Children are envisioned as not moving to a separate after-school program (even one in the same building) at three o'clock but as remaining in the same room with the same staff team and curriculum framework. Thus, the "core" day (about 9:00-3:00) would be seamlessly extended before – and until the end of – the parents' workday. The report envisions no fees for the "core" day – the "core" school-year/school-day programs would be funded as part of the school system as kindergarten is now funded. The extended day portion was intended to be parent fee-supported, with subsidies for eligible low income families, but it was envisioned to be operated by school boards as part of the public system.

With our best future in mind's recommendations for the Full-Day Early Learning program for four and five year olds bear key "fund the system" hallmarks: universality (after an initial phase-in, the full-day program would

[33] Since 2004, the Ontario for-profit child care sector has grown from 17 per cent to 24 per cent of child care spaces, rising to the same level it had been at back in 1992.

become available to every four and five year old in the province); no or low fees (the core school day and school year would have no parent fee) and public system management (by school boards).

A significant change in the design of the program was made by the provincial government however. While the core school-day program for four and five year olds is still to be part of the public education system, the requirement that school boards offer an extended day was removed so that while school boards will be required to ensure that before- and after-school child care is delivered on site, it may[34] now be a separate program delivered by an outside operator (non-profit or for-profit). What this means is that – in essence – the extended "seamless" Full-Day Early Learning program has been implemented as full-day kindergarten "topped and tailed" by before- and after-school child care. In some ways, Ontario's Full-Day Early Learning program is now similar to Quebec's full-school day kindergarten system; schools are required to ensure the operation of a wrap-around child care program on-site. However, Quebec uses base funding for these programs (as described in an earlier section) together with the $7/day parent fee rather than parent user fees and fee subsidies to fund the program. That is, Quebec's before-and after-school child care is not expected to be cost-recovery as in Ontario. Additionally, after-school child care in Quebec is operated directly by the schools, not by outside for-profit or non-profit operators.

In summary, Ontario's ECEC transformation as proposed in *With my best future in mind* was envisioned as combining elements of all three approaches to ECEC funding: "fund the parent," "fund the program," and "fund the system" (the tables below summarize the main elements). However, with regard to the actual implementation of the program, there are many details that are not specified in the report or are not yet known, while some directions have shifted.

[34] The provincial government has stated that school boards may still choose to offer an extended day if they choose to but they will no longer be required to. When the first F-D ELPs opened in September 2010, only 8 per cent of them actually offered extended day programs.

TABLE 2. FULL-DAY EARLY LEARNING KINDERGARTENS WITH SEAMLESS EXTENDED DAY

	"FUND THE PARENT"	"FUND THE PROGRAM"	"FUND THE SYSTEM"
Which parents are eligible (for public funding)?	**Before- and after-school child care (extended day) –** subsidy eligibility criteria determine who is eligible		**Full-school day (core day/ kindergarten –** All four and five year olds are eligible; program is universal
Who pays, and how?	**Before and after school child care (extended day) –** Parents pay full fees; eligible parents may have their fees subsidized, paid by municipalities on behalf of eligible parents		**Full-school day (core day/kindergarten –** Provincial government pays the full cost to school boards. No parent fees.
Who operates, develops, manages, owns programs?	**Before and after school child care –** managed and owned by outside contracted private operators (see "fund the system" column")		**Full-day kindergarten –** Developed and operated by school boards based on planning process **Extended day –** Component of full-day program; developed and operated by school board based on planning process (see "fund the parent" column)

TABLE 3. BEST START CHILD CARE AND FAMILY CENTRES (CFCS)

	"FUND THE PARENT"	"FUND THE PROGRAM"	"FUND THE SYSTEM"
Which parents are eligible (for public funding)?	Subsidy criteria would determine who is eligible	Base/program funding is not specified. While some program funding is currently available (wage enhancement, resource centres), how these funds would work is not specified in the report.	
Who pays, and how?	Subsidies would be paid to centres by Municipal Service Managers on behalf of eligible parents		.
Who operates, develops, manages, owns programs?		Operation by school boards, municipalities, post-secondary institutions, community agencies	Development through service planning process by Municipal Service Managers; management is more public/ system by Municipal Service Managers

VI. Current ECEC funding in Ontario: Where do the pieces fit?

An examination of ECEC funding in ECEC in Ontario shows that various elements of child care and kindergarten fit into all three models discussed in this paper. Both child care and kindergarten are now under the aegis of the Ministry of Education's Early Years Division. Kindergarten is system-funded based on a province-wide funding formula that takes multiple factors into account. As well, kindergarten is publicly-operated as part of public education.

Child care is paid for through a mixture of "fund the parent" (parent fees and fee subsidies) and "fund the program" (wage grant) mechanisms, relying heavily on parent fees. Unlike kindergarten and other K-12 programs or colleges and universities, there is no child care funding formula. The vast majority of child care programs in Ontario are privately delivered by non-profit and for-profit operators[35].

Municipalities use multiple funding mechanisms in the process of determining who (families) and what (services) are eligible for fee subsidies, special needs funds and wage grants. There are a number of key federal government transfer payment streams, several earmarked for child care and several broader transfers that encompass child care.

This section provides a brief overview of a number of elements of current Ontario child care funding arrangements.

The funding patchwork: Cost-sharing, provincial transfers, wage grants and fee subsidies

Provincial cost-sharing with municipalities on approved child care spending was straightforward until 1999. Until then, the provincial government required municipalities to pay 20 per cent of fee subsidies – at that time the sole cost-shared stream – and the Province paid 80 per cent. Until the Canada Assistance

[35] Ontario's municipal child care sector has been shrinking, from an estimated 18,500 spaces in 1998, to an estimated 10,000 in 2010.

Plan[36] (CAP) was cancelled in 1996, the federal government in turn reimbursed 50 per cent of these expenditures to the Province, so cost-sharing for fee subsidies in Ontario was 20 per cent municipal, 30 per cent provincial, 50 per cent federal.[37]

Through the 1980s and 1990s, wage grants (first introduced in the late 1980s), family resource centres and special needs resourcing were paid 100 per cent by the Province. This changed, however, after a task force often termed "Who does what?" or Service System Realignment, realigned funding responsibilities between local and provincial governments in the late 1990s. Transfer of responsibility for child care was authorized by amendments to the *Day Nurseries Act* in 2000 so that in the future, municipal governments would pay 20 per cent of funding for wage grants, resource centres and special needs as well as 20 per cent of fee subsidies[38] (Office of the Auditor General, 2005). The cost-sharing arrangements became further complicated when the Ontario government waived municipal cost sharing on federal funds coming from the Multilateral Framework Agreement (MFA) beginning in 2003/2004 and then on additional earmarked federal funds from the cancelled federal ELCC program beginning in 2005/2006 (profiled as Best Start).

There are currently four categories of provincial child care funds with different cost-sharing arrangements flowing to Municipal Service Managers from the provincial government:

- wage grants (DOG, WEG, PEG, Wage Enhancement, Wage Improvement, Pay Equity)
- fee subsidies (regulated, unregulated)
- special needs
- family resource programs.

[36] The Canada Assistance Plan was designed as open-ended but was unilaterally capped by the federal government in 1990.
[37] The Canada Health and Social Transfer (CHST), now the Canada Social Transfer (CST), a block fund, replaced CAP cost-sharing in 1996.
[38] Cost sharing for capital funds and administration is 50 per cent provincial/50 per cent municipal.

Provincial paperwork requires that municipalities do considerable financial coding for these: there are approximately 63 “data elements” detailing number of children, number of parents, etc., and approximately 18 “detail codes” identifying to which of multiple categories each item belongs. That the provincial government and municipalities do not operate on the same year/cycle is a further complicating factor. Further, as the Ontario Auditor General has noted, provincial funding in any of the multiple categories is not established through a system planning process but has primarily been determined historically (Office of the Auditor General, 2005).

The arrangements that determine how wage grant financing works are also complicated. Wage grants (also called wage enhancement, wage subsidy and wage improvement) in Ontario have their origins in the province’s first base-funding in 1987 when Direct Operating Grants (DOG) were introduced by the provincial government as part of a major child care policy initiative (*New directions for day care).* A DOG of $3/day/space was initially paid to non-profit centres; 50 per cent of this amount was available to for-profit programs licensed before the date of introduction but not to new for-profits. This first provincial base-funding was intended to improve staff wages while holding down parent fees.

Between 1987 and the present, multiple layers were added to wage grants in Ontario: pay equity and subsequent wage enhancement grants were introduced, as was the *Home Provider Enhancement Grant* (PEG) to regulated family child care, Best Start wage enhancement, funding freezes and challenges to funding freezes (Ontario, 2006). In 2004, the provincial government made wage grants available to the for-profit sector. Most recently, wage improvement funding, using the last federal funds from the ELCC transfer in 2007/2008, was added.

Public funding to address wages in child care Ontario is a patchwork that has evolved and shifted over time as political priorities have shifted. Provincial goals and objectives guiding wage grants – which child care programs are eligible, what the goals are, on what basis, and how much – are unclear. In 2005, the Ontario Auditor General’s report recommended that “to help ensure the equitable distribution of wage-subsidy funding among child-care providers in Ontario, the

Ministry should review the objectives and design of the wage-subsidy program so that funding allocations are based on assessed needs rather than on historical allocations" (pg. 93). In the 2007 follow-up to this, the Auditor General's report noted that although a new Wage Subsidy Guideline had been issued by the Province in 2006," amounts of wage subsidies being granted were still based on historically funded amounts" (Ontario Auditor General, 2005: 357).

Table 4 below shows that the wage grant budget allocation was $171.3 million in 2007/2008 – but while this budget item had increased in recent years, it was still considerably below where it had been in 1994/1999 although the number of regulated spaces had grown considerably.

The fee subsidy program is Ontario's main child care spending area, with $324 million allocated to subsidies in 2007/2008 (Table 4). Examining province-wide fee funding allocations for regular subsidies[39] shows that they reached $305 million in 1994/1995, then dropped considerably and rose again to the same (unadjusted) level in 2007/2008 as in 1997/1998. The provincial government introduced income testing in 2007, a new approach in Ontario for determining subsidy eligibility, one key effect of which was to make more families subsidy-eligible. Even before this policy change however, the Auditor General had expressed concern about the number of subsidy-eligible children on waiting lists in its 2005 report:

> "…the Ministry should collect information on the number of children waiting for subsidized child-care spaces in each jurisdiction in order to more effectively assess service pressures and to help it more fairly distribute both ministry funding and the significant additional funding expected from the federal government (2005: 93)."

The 2007 follow-up to this 2005 Auditor General's report on child care noted that:

> "The Ministry had not acted on our recommendation regarding using fee-subsidy waiting lists to help it decide how it distributes funding. However, it indicated that consolidated municipal service

[39] In addition to "regular" fee subsidies, since the mid-1990s, the Ontario Works program (previously Jobs Ontario) provides some funds for subsidies both in regulated child care and in unregulated arrangements. See Table 4.

managers would be required to develop policies relating to fee-subsidy wait-lists by January 1, 2008 (pg. 357)."

As Toronto's 2010 service plan notes, with the introduction of income testing, the subsidy waiting list jumped from 4,000 to more than 17,000 in December 2010.

The information in Table 4[40] suggests at least two observations that can be made. First, the 2007/2008 budget allocation lines for regulated child care are more or less at about the same levels as they were in 1994/1995 (wage grants and special needs are lower today and the regular fee subsidy budget allocation lines are not much higher), unadjusted for inflation. Second, virtually all (if not all) new Ontario spending since the mid 1990s appears to have come from two federal transfers earmarked for ECEC, the 2003 Multilateral Framework Agreement and the Early Learning and Child Care agreements (MFA, ELCC). As these transfers have not been included in the province's base child care budget allocation lines over the years, they are not broken down into wage, fee subsidy or special needs funding but are reported as unannualized lump sums outside provincial child care allocations, obscuring transparency and limits planning and evaluation capacity.

TABLE 4. CHILD CARE FUNDING – ONTARIO 1994/1995 – 2007/2008*
(BUDGET ALLOCATIONS, IN UNADJUSTED $, MAIN CATEGORIES)

	1994/ 1995	1997/ 1998	2001/ 2002	2003 /2004	2005/ 2006	2007 /2008
Fee subsidies-Regular	305,400,000	324,000,000	299,800,000	279,000,000	323,700,000	324,200,000
Fee subsidies – ON Works, regulated	NA	See ON Works below	See ON Works below	26,600,000	24,200,000	26,000,000
Wage grants - wage enhancement/wage subsidy/DOG/PEG	195,000,000	134,000,000	116,200,000	135,100,000	138,800,000	171,300,000

[40] The budget allocation line categories (in the left-hand column) are those that have been used in the *ECEC in Canada* documents developed by the Childcare Resource and Research Unit, provided by Ontario government officials.

Special needs	NA	49,000,000	35,500,000	46,800,000	48,200,000	47,300,000
Resource centres	NA	22,000,000	19,700,000	8,100,000	8,100,000 (+ OEYC - 64,300,000**)	8,500,000 (+OEYC- 64,300,000**)
ON Works subsidies- unregulated	NA	ON Works subsidies – break down NA – 65,000,000	ON Works subsidies – break down NA - 34,000,000	6,800,000	7,300,000	7,100,000
COMMENTS	Canada Assistance Plan (cost-sharing) ended 1996; Canada Health and Social Transfer (block fund) began. The CHST was divided into the CHT and CST in 2004.		In 2001, ON received first federal transfer funds of 114,000,000 from Early Childhood Development Agreement (ECDA). See Table 5 for further information about the ECDA.	58,200,000 A new federal transfer funds - Multilateral Framework Agreement (MFA) on Early Learning and Care). See Table 5 for further information about this funding scheme.	296,000,000 in unannualized "unconditional grants" to municipalities. Federal funds from MFA and ELCC agreement totaled 281,800,000; these plus ECDA funds were transferred to Ontario. See Table 5 for further information about this funding scheme.	211,000,000 in unannualized transfers to municipalities. Federal funds from MFA and ELCC agreement totaled 369,600,000; these plus ECDA funds were transferred to Ontario. See Table 5 for further information about this funding scheme.

* Note that this does not include municipal cost-sharing or other funding.
**Ontario Early Years Centres were originally initiated in 2001/2002 using federal transfer funds from the Early Childhood Development Initiative (ECDA)

(Source: *Early childhood education and care in Canada 1995, 1998, 2001, 2004, 2006, 2008*. Toronto: Childcare Resource and Research Unit. Note that the budget allocation lines are those used in these publications for all provinces/ territories.)

Federal transfers available for child care

Since the Canada Assistance Plan, which provided 50 per cent cost-sharing for eligible child care spending, was eliminated by the federal government in 1996, a number of federal transfer funds available for child care have been introduced. Federal transfer funds available to be used for child care subsequent to CAP are identified in Table 5, with an explanation of each program:

TABLE 5. FEDERAL TRANSFERS AVAILABLE FOR CHILD CARE – ONTARIO 2001-1008 (IN MILLIONS)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
ECDA	115.0	154.2	193.0	194.0	194.4	194.4	194.9
MFA			**9.7**	**58.2**	**87.5**	**116.7**	**136.5**
ELCC				**77.6**	**194.3**	**252.9**	
Spaces Initiative							**97.8**
CST					3.2 billion	3.2 billion	3.8 billion

Note that the MFA, the ELCC and the Spaces Initiative funds are earmarked for child care whereas the ECDA and the CST are broader programs.
Data sources: *Early childhood education and care in Canada 2008,* Tables 1.8 and 31.Online at www.childcarecanada.org/ECEC2008/index.html. Data provided by federal officials.
Department of Finance. *Federal transfers to provinces and territories.* Online at www.fin.gc.ca/access/fedprov-eng.asp

Both the Multilateral Framework Initiative (MFA) – beginning in the 2003/2004 fiscal year and ramping up to almost $140 million in 2007/2008 and the cancelled Early Learning and Child Care initiative, transferring almost $.5 billion to Ontario – are earmarked specifically for child care. In addition, the Spaces Initiative, introduced in the 2007 federal budget as earmarked for child care provided almost $100 million in the first year. It is generally assumed that the federal transfers from the MFA and the ELCC agreement in 2005/06 funded the "unconditional transfers" to municipalities (reserve funds) and that the 2006-2007 federal child care funds were designated as "Best Start" funds in Ontario. As noted in Table 4, these transfers are identified outside the province's child care budget allocations. The Spaces Initiative's $100 million, beginning in 2007/08 is not identified outside or inside budget allocations.

Two other federal transfers are available to contribute to funding for regulated child care as well. ECEC is one of four designated areas in provinces could choose on which to spend Early Childhood Development Agreement

(ECDA) funds. The provincial government committed in 2004 to review this transfer and to spend “a majority” of the ECDA funds on regulated child care. Until that time, ECDA funds had been attributed to a variety of child and family health-related programs such as substance abuse and injury prevention, as well as to Ontario Early Years Centres but no funds had been spent on regulated child care (Friendly and Beach, 2004).

The Canada Social Transfer (CST) block fund, successor to the Canada Assistance Plan, is also a federal transfer program that is available to support child care should a province choose to do so. Federal government information about the CST notes that:

> “The CST is extended to 2013-14, and will grow by 3 per cent annually as a result of an automatic escalator, effective 2009-10. Federal support for post-secondary education, social programs, and children are notionally earmarked based on provincial spending patterns to make the federal contribution through transfers more transparent.”(Department of Finance, online at www.fin.gc.ca/fedprov/his-eng.asp).

Ontario’s cash portion of the CST steeply increased by $600 million with the 2007/08 federal budget and, as noted above, now increases annually by 3 per cent.

Planning and policy development

As noted earlier, Canadian provinces have generally not developed comprehensive, planned, systemic approaches to ECEC policy development and service provision. When the OECD conducted its review of Canada in the early 2000s, a key recommendation to Canada was that:

> “,,,all provincial governments [should] develop a *Provincial Plan for Early Childhood Services Development…*on a three-year basis, with clearly spelt out goals, targets, time-lines, responsibilities and accountability measures from co-operating ministries and federal bodies. … the plan should include annual targets and specific funding… Criteria for centre performance, such as minimum benchmarks, outcome measures and training levels should also be included… We encourage… decentralisation of management to the local level, e.g., toward publicly mandated, community or municipal

> agencies which would have combined responsibility for both kindergarten and child care development. …In parallel, reinforcement of management at administration levels will be needed to take on basic system responsibilities such as consensus building, regular data collection and analysis, long-term planning, financial steering, standard setting and supportive evaluation (OECD, 2004: 153).

Over the years, Ontario has developed various ECEC initiatives including expansion, quality improvement, enhanced training, integration, special needs. While each of these was undoubtedly planned, they have been by-and-large been unconnected, as can be seen from the array of funding streams described above – layered on top of one another. Some initiatives have not been sustained or evaluated, especially as governments have changed.

Overall, today it is hard to define Ontario's plans for ECEC, goals for children, families and services or its overall policy and approach.

A 2004 analysis by Friendly, Beach and Doherty identified planning and policy development as one of eight integral elements of effective high quality ECEC systems. This analysis defined content and processes of strategic planning for ECEC as:

> "A strategic plan should: articulate goals; establish targets and timelines for achieving each target; identify strategies for reaching targets; provide benchmarks and reference points for determining progress toward meeting goals; define roles and responsibilities; and identify budget allocations and how they will be obtained… Regular monitoring and review of progress is critical (Friendly, Beach and Doherty, 2004). "

Since 2000, the Ontario government has required CCSMs/DDSABs to develop and submit service plans. In Toronto, the service planning approach has had a public consultation component, involving service providers, community organization and elected officials. There has not been, however, a corresponding provincial planning approach that includes accepted sustained system planning using the kind of basic tool kit identified by the analyses described above. Nor has there been regularly collected and analyzed Ontario data on needs and demand, use patterns, quality assessment, the true costs of child care, demographics or evaluation or assessment of the effects of policy and program change. Without clear goals and objectives, identified targets and timetables, collaboration with stakeholders, transparency, accountability, roles and responsibility measures (which the Auditor General's 2005 analysis noted as weak), quality goals, improvement and assurance, data collection and analysis, sustained financial commitments and steering, it is difficult to imagine how ECEC in Ontario can be managed by municipalities to serve children and families effectively.

Overall, most people in the ECEC field would agree that Ontario fits the OECD's assessment that "…it is clear that national and provincial policy for the early education and care of young children in Canada is still in its initial stages" (2004:6).

VII. Funding the future

The beginning of this paper described the City of Toronto's history as well as leadership roles and responsibilities in ECEC in Ontario and across Canada in some detail. More recent developments also suggest an enhanced role for Toronto that has significance for early childhood education and care.

The *City of Toronto Act,* proclaimed in 2007, gives Toronto "new powers and more autonomy commensurate with Toronto's size, responsibilities and significance" (Gerretson, Ministry of Municipal Affairs and Housing, 2007). The *City of Toronto Act* recognizes Toronto as a responsible, accountable government. As the provincial Ministry of Municipal Affairs and Housing notes, the *City of Toronto Act* means that "the city is now better able to determine the appropriate mechanisms for delivering municipal services, determine the appropriate levels of municipal spending, and use new fiscal tools to support the city's activities."

This perspective is enhanced in the *Provincial municipal fiscal and service delivery review. Facing the future together (*2008). This "joint effort of Ontario, the Association of Municipalities of Ontario and the City of Toronto… describes a new approach to the funding and delivery of services in Ontario, and is a significant landmark in the provincial-municipal partnership" It states that:

> "Ontario municipalities are too diverse for a "one size fits all" approach. Differences in such factors as population and geographic size, demographics, economic activity and location present each municipality with a unique set of challenges. The impacts are reflected across the spectrum of public services: in infrastructure needs, design of and demand for social programs, economic development efforts and other local priorities. Where province-wide solutions are needed, they must be sensitive to these important differences." (pg. 12)

At the same time, the City of Toronto's historical role as a leader with substantial expertise in ECEC policy and program development provides Ontario with a unique laboratory and an opportunity to examine improved approaches to ECEC that – appropriately tailored – could benefit municipalities and children and families across the province. With Toronto's ECEC history, leadership and this new development in mind, ideas about funding the future of early childhood education and care in Ontario can begin to take shape.

This paper has described how funding arrangements for child care in Ontario are neither rational nor functional. Overall, there is not a rational sustained funding base for child care but a multitude of arrangements that have grown helter-skelter over time, originating in multiple regimes and having different purposes. Various funding schemes that began with good intentions such as dispersal of short-term and longer-term federal dollars, operating grants/wage grants/pay equity/wage enhancement, the shift to Full-Day Early Learning, and the many others now add up to funding and administrative uncertainty for municipalities and service providers.

Current wage enhancement funding originating in 1987 as base-funding has become unpredictable, with unclear purposes. The fee subsidy program has not been designed as part of a coherent funding system but remains unconnected to demographic data, service viability or family and community needs. Funding allocations to Municipal Service Managers responsible for maintaining services appear to be based on historical antecedents rather than a rational, functional planned system approach. From a budgetary point of view, the wide range of wages (which are quite predictive of the costs by each centre) and parent fees further enhances the unstable and unpredictable situation. Municipalities have the responsibility but not enough levers to fulfill the responsibilities of their systems manager role – planning, system management, service delivery and accountability.

Child care expansion in Toronto is – as in other Ontario locales – not planned or rational, making service delivery unpredictable, with municipal service planning rendered less than effective and disconnected from the provincial licensing role. In this environment, services expand without a clear plan for ensuring an adequate supply of the high quality services known to benefit child development. The for-profit sector is expanding in Ontario more rapidly than it has in some years, with an increasing number of larger chains and new corporately-traded commercial child care operations with their eye on Ontario. This is especially inappropriate in light of the recent shift of child care to a new Early Learning Division in the Ministry of Education. As the research that consistently shows poorer quality in the for-profit sector has continued to grow (CRRU, 2010), it is more than clear that continuing to rely on ECEC programs operated for-profit is neither a best policy practice nor based on the evidence.

As this paper has pointed out, Toronto's "steering" of the local child care situation is limited by:

- Provincial funding approaches that are overly complicated, having evolved from a patchwork of programs rather than having been designed as a holistic system that addresses current realities;
- Provincial funding and approaches that are not predictable nor sustained;
- Growth of child care services over which the municipality has no control;
- A wide range of parent fees, making it hard to define or maintain "affordability;"

- A wide range of salaries which, together with other factors such as absence or presence of wage enhancement, facility costs and clientele, drive parent fees and quality;
- Service viability issues that are based on a complex of arbitrary factors (neighbourhood, salaries, ability to attract fee-paying parents, perception of quality) and have been intensified by the introduction of Full-day Early Learning.

This paper has described how and why funding and system planning for ECEC must go hand in hand. It also discusses why public funding, public management and public planning for ECEC systems are considered to be best practices. As research such as the OECD's (2001/2006) and Lloyd and Penn's (2010) has noted, these are shown to be much more effective than privatized market models in delivering the programs that support children and families best from the perspectives of quality and access. It also discusses that while the provincial government requires Ontario municipalities to produce multi-year service plans, there has been no corresponding commitment that the provincial government undertake the same kind of approach. It suggests that it would be most welcome if the provincial government were to adopt this approach, especially as child care has been moved to the Ministry of Education.

This paper has suggested that, aside from other issues, not enough public money is being spent on ECEC in Ontario. Using the benchmark of *at least* 1 per cent of GDP (public funds) that has become the international standard, Canada was assessed by UNICEF's Innocenti Research Centre as spending only .25 per cent on child care and kindergarten together – the lowest of 25 countries[41] (UNICEF, 2008). An analysis by Friendly and Prentice found that this meant that Ontario was spending slightly above the Canadian average – .33 per cent (In press). This would suggest that, even with Ontario's new spending on full-day kindergarten, the Province is spending substantially less than the international

[41] The UNICEF IRC Report Card #8 used figures from the OECD review of Canada (2004).

benchmark, the OECD average of .7 per cent, or even Quebec's ECEC spending, at .67 per cent of GDP.

It is important to note that provincial funding allocations for regulated child care have not grown since the mid 1990s (using unadjusted dollars), as shown in Table 4. While identified federal transfers have been flowed through by the Province to municipalities, as these have been accounted for outside the annual budget allocations, it is hard to say how funds have been used – that is, whether they have been used effectively or what role they have played in improving access or quality.

It is with these things in mind that the following recommendations are proposed:

RECOMMENDATIONS TO THE ONTARIO GOVERNMENT:

1. As an urgent priority and first step, establish a process for annual indexation of provincial transfers to municipalities in order to stabilize municipal capacity to manage and sustain child care services.

2. In the immediate and short term, Ontario should review child care funding in light of implications of the province-wide move to Full-Day Early Learning for the viability and sustainability of needed child care services. Families and children across Ontario need a full range of care for children 0-12 years. Without a new funding model that adequately reflects the anticipated fee increases in child care services, the viability in the immediate and short term, as well as the longer term, of child care services across age groups will be severely undermined not only in Toronto but across the province.

3. As the senior level of government with constitutional responsibility for education and social services, Ontario should consider developing a comprehensive policy framework to support an evidence-based Ontario-wide public management approach to an integrated early childhood education and

care system for children aged 0-12 encompassing child care, kindergarten and parent support.

The provincial approach should follow best practices and use the best available evidence from research and policy analysis. This would include: predictable multi-year approach to planning and funding, clear goals and objectives, clear roles and responsibilities; identified targets and timetables; sustained financial commitments; collaboration with stakeholders including municipalities and the ECEC community; transparency and public accountability measures; quality goals, improvement and assurance; data collection, analysis and ongoing evaluation to determine and improve policy and programs.

4. The Ontario government should facilitate assumption of more autonomy by the City of Toronto, as Municipal Service Manager, in managing the multiple complex of separate child care funding streams so as to tailor the available funds to meet its needs as identified in its service plans.

5. The Ontario government should facilitate assumption of management by the City of Toronto, as Municipal Service Manager, in decisions about where, for whom and what kinds of new child care services are granted provincial licenses within the City of Toronto.

6. In the short term, Ontario should consider a moratorium on new for-profit child care development until a fuller and comprehensive policy approach to ECEC is in place. In the longer term, Ontario should adopt public policy based on publicly-delivered and not-for-profit ECEC programs. One option for this policy would be the proposals outlined in *With our best future in mind.*

7. As part of a rationalized planned and sustained approach to ECEC, Ontario should fully review and reconsider the full range of funds that could be available for funding ECEC programs, keeping in mind the economic stimulus benefits of high quality ECEC programs (Fairholm, 2010) and the needs and human rights of Ontario children and families. Ontario should begin to set long- and short-term financial targets that are in line with the best available evidence and commensurate with its goals for ECEC programs to meet 21st century needs. A target of *at least* 1 per cent of GDP by 2020 for ECEC for children up to age six would a good place to start.

RECOMMENDATIONS TO THE CITY OF TORONTO:

8. Toronto should explore the feasibility of setting maximum City-wide parent fees using the knowledge and experience available from the other Canadian jurisdictions that have adopted this approach (Quebec, Manitoba, PEI) and in consultation with the ECEC community and parents. This would contribute to the City's capacity for more effective public management and the possibility of rationalizing and steering ECEC in the City of Toronto. Legal and equity issues would need to be addressed. This kind of approach could only be effective if funding were augmented and indexed.

9. The City of Toronto should explore the feasibility of establishing a City-wide salary scale for child care staff using the knowledge and expertise available from the other jurisdictions that have adopted this approach (Manitoba, PEI). This should be done by building on the City's existing approach to a salary scale and in collaboration with service providers, unions representing staff, key organizations and other stakeholders, as other jurisdictions have done. A salary scale as a tool would contribute to the City's capacity for effective public management and the possibility of rationalizing and sustaining ECEC in the City. Legal and equity issues would need to be addressed. This kind of approach could only be effective if funding were augmented and indexed.

10. A City of Toronto pilot project examining the feasibility of a base-funded system approach to public and not-for-profit child care services should be considered. This could mean shifting away from treating child care services as individual entities each of which must make up its own budget from a combination of fees, subsidies and grants to a funding formula-based approach as used in Sweden, the TDSB and – to some extent – Quebec, Manitoba and PEI. This would shift "viability" from a market-based definition – whereby viability depends on a series of arbitrary circumstances rather than community need – to one that would increase predictability for child care service providers and parents, as well as improving the Municipal Service Manager's capacity to "steer" ECEC.

In conclusion

It was recently observed that the "visionary plan [put forward by *With our best future in mind*] could make a significant mark on early childhood education and care across Canada now and for some years to come" but that "even the best plan is only as good as its implementation" (Friendly, 2010). International ECEC expert Professor Peter Moss, reflecting on ECEC developments in Ontario, remarked on the importance of grappling with four "wicked issues" – funding, access, the work force and type of ECEC provision (2011). This paper makes some recommendations for beginning to address some of these "wicked issues."

Ontario is the key actor in the province's ECEC under Canadian constitutional arrangements. The Ontario government has a variety of available tools that could make possible substantial improvements in this area of provincial responsibility. These include not only the variety of federal transfer payments but the province's role in making political, policy and fiscal decisions, choosing priorities and fulfilling political commitments to the families of Ontario. As a recent Toronto Star editorial noted, "the original plan put forward [for ECEC]… would have ended the patchwork of programs and created a seamless education and child care system" (2011), observing that it is the provincial government that will decide whether this will happen.

The beginning of this paper described the City of Toronto's historic leadership in ECEC and its current approach to public management. It has also described other approaches to funding, planning and service organization that could also be effective in Ontario and has made recommendations for immediate action and for short- and medium-term reform as ECEC reaches a critical juncture in Ontario. Considering Toronto's and Ontario's respective roles as leaders in ECEC and their mutual interest in the well-being of Ontario's children and families, there are many possibilities for successful collaborative action now and in the future.

References

Beach, J., & Flanagan, K. (in press). *Integration of early childhood education and child care sectors: Context report*. Ottawa, ON: Child Care Human Resources Sector Council.

Beach, J., Friendly, M., Ferns, C., Prabhu, N., & Forer, B. (2009). *Early childhood education and care in Canada* 2008. Toronto: Child Care Resource and Research Unit.

Beach, J. and Friendly, M. (2005). *Child care fee subsidies in Canada.* Working documents from Quality by Design. Online at www.childcarequality.ca/wdocs/index.html

City of Toronto. (2010). *Child care service plan.* Retrieved from the City of Toronto website: www.toronto.ca/children/service_plan.htm

City of Toronto. (2009). *Toronto report card on children.* Retrieved from the City of Toronto website: www.toronto.ca/reportcardonchildren/

City of Toronto. (2005). *Child care service plan.* Retrieved from the City of Toronto website: www.toronto.ca/children/pdf/splan05.pdf

Cleveland, G., & Krashinsky, M. (2009). The nonprofit advantage: Producing quality in thick and thin child care markets. *Journal of Policy Analysis and Management, 28*(3), 440-462.

Cleveland, G. (2008). *If it don't make dollars, does that mean it don't make sense? Commercial, nonprofit and municipal child care in the City of Toronto.* Retrieved from City of Toronto, Children's Services Division website:
www.toronto.ca/children/pdf/cleveland_report_may08.pdf

Department of Finance Canada (2009). *A history of the health and social transfers.* Retrieved from www.fin.gc.ca/fedprov/his-eng.asp

Fairholm, R. (2010). *Early learning and care impact analysis.* Atkinson Centre for Child Development. OISE /University of Toronto. Online at http://action.web.ca/home/crru/rsrcs_crru_full.shtml?x=130119.

Flanagan, K. (Feb 10, 2011). Symposium on Early Learning. Toronto: Ryerson University

Flanagan, K. (2010). *The early years report: Early learning in PEI: An investment in the Island's future.* Retrieved from the Government of PEI website: www.gov.pe.ca/photos/original/edu_earlyyrsRpt.pdf

Friendly. M. and Prentice, S. (In press, 2011). Provision, policy and politics in early childhood education and care in Canada. In N. Howe & L. Prochner (Eds), *New Directions in Early Childhood Education in Canada.* Toronto: U of T Press.

Friendly, M. and White, L. (In press, 2011). "No-lateralism": Paradoxes in early childhood education and care policy in the Canadian Federation. In H. Bakvis and G. Skogstad (Eds.). *Canadian federalism: Performance, effectiveness, and legitimacy,* (3rd ed.). Toronto: Oxford University Press.

Friendly, M. (2010). *Early learning and child care in Ontario: Building on a house of cards.* March. Powerpoint presentation to government and opposition officials at Queen's Park.

Friendly, M. (2010). Joining up and scaling up: A vision for early childhood education and care. *Canadian Education Association.*

Friendly, M. and Prentice, S. (2009). *About Canada: Childcare.* Winnipeg: Fernwood Publishing.

Friendly, M. and Beach, J. (2009). *Three models of funding early childhood education and care.* Unpublished paper prepared for the Mothers' Voices Project, New Brunswick Child Care Coalition/coalition de services de garde á l'enfance noveau-brunswick

Friendly, M. and Beach, J. (2005). *Early childhood education and care in Canada* 2004. Toronto: Child Care Resource and Research Unit.

Friendly, M. (1997). *Raising wages in regulated child care: The Ontario experience with pay equity.* Unpublished paper presented to Conference on Care-Work. Paris:Organization for Economic Co-operation and Development.

Kaga, Y., Bennett, J., & Moss, P. (2010). *Caring and learning together: A cross-national study of integration of early childhood care and education within education.* Paris: UNESCO.

Lloyd, E. and Penn, H. (2010). Why do childcare markets fail? *Public policy research: 17(1)*: 43-48. March/May.

Manitoba Child Care Association. (2009). *Recommendations to the Government of Manitoba.* Retrieved from the MCCA website: http://mccahouse.org/documents/RecommendationstoMinisterfor2010-2011_001.pdf

McGuinty must fix signature program. (February 14, 2011). *Toronto Star.* Retrieved from: www.thestar.com/opinion/editorials/article/938112--mcguinty-mustfixsignatureprogram?sms_ss=twitter&at_xt=4d59895d0c58c5e8,0

Ministry of Education and Science in Sweden (1985). *Education Act.* Retrieved from: www.sweden.gov.se/content/1/c6/02/15/38/1532b277.pdf

Ministry of Municipal Affairs and Housing (2007). *City of Toronto Act 2006 proclaimed Ontario's capital city begins new era.* Press release.

Monsebraaten, L. Daycare system near collapse, advocates say. (2010, March 22). *Toronto Star*. Retrieved from: www.parentcentral.ca/parent/education/childcare/daycare/article/783595--

Moss, P. (Feb 10, 2011). Symposium on Early Learning. Toronto: Ryerson University

Office of the Auditor General of Ontario. (2005).*Annual Report.* Ontario: Queen's Printer for Ontario. Available online from: www.auditor.on.ca/en/reports_en/en05/en_2005%20AR.pdf

Ontario, Association of Municipalities of Ontario and City of Toronto. (2008). *Provincial municipal fiscal and service delivery review. Facing the future together.* Online at: www.mah.gov.on.ca/AssetFactory.aspx?did=6050

Ontario. (2004). Standing Committee on Finance and Economic Affairs. Online at www.ontla.on.ca/committee-proceedings/transcripts/files_html/2004-02-02_F010.htm#P523_152503

Open letter to Premier Dalton McGuinty. (2009, September 22). Retrieved from People for Education website: www.peopleforeducation.com/openletterpremier/earlylearning

Organization for Economic Co-operation and Development. (2006). *Starting Strong II: Early childhood education and care.* Directorate for Education. Paris: Author.

Organization for Economic Co-operation and Development. (2004). *Early childhood education and care policy: Canada, country note.* Directorate for Education. Paris: Author. Retrieved from: www.oecd.org/dataoecd/42/34/33850725.pdf

Organization for Economic Co-operation and Development. (2001). *Starting Strong*: *Early childhood education and care.* Directorate for Education. Paris: Author.

Pascal, C.E. (2009). *With our best future in mind: Implementing early learning in Ontario.* Retrieved from the Government of Ontario website: www.ontario.ca/en/initiatives/early_learning/ONT06_018865.html

Penn, H. (2009). *Early childhood education and care: Key lessons from research for policy makers.* For the European Commission by the Network of Experts in Social Sciences of Education and training (NESSE). Online at www.nesse.fr/nesse/activities/reports/ecec-report-pdf

Politicians drop the daycare ball. (2010, March 1). *Toronto Star.* Retrieved from: www.thestar.com/opinion/editorials/article/773064--politicians-drop-the-daycare-ball

Ontario child care service management guidelines – wage subsidy. (2010). *Region of Waterloo.*

Speech from the Throne. (2010). Government of Canada, Ottawa. Online at www.speech.gc.ca/eng/media.asp?id=1388

Strath, A. (2004). *Teacher policy reforms in Sweden: The case of individual pay*. Paris: UNESCO, International Institute for Educational Planning

UNICEF Innocenti Research Centre. (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries.* Florence, Italy. Retrieved from UNICEF IRC website: www.unicef-irc.org/publications