

The Financial Reality behind the Federal Child Care Spaces Initiative: *A Mismatch of Mythic Proportions*

As a society, Canada invests less in child care services than most other developed countries. That's why our patchwork of programs ranks low in international comparisons. More importantly, Canada's 'non-system' fails to meet children and family needs.

In 2003, the previous federal government finally began to address this issue through a relatively small federal/provincial/territorial (FPT) agreement that provided new, dedicated federal funds for early learning and child care programs. In 2005, this public investment was substantially increased through budget commitments and a series of bilateral transfer agreements between the federal and provincial governments. Under these bilateral agreements, provinces agreed to develop and implement plans to advance quality, universally inclusive, accessible and developmental child care services in their communities.

The current federal government has announced the termination of these bilateral agreements on March 31 2007. Instead of funding child care services in communities, the current federal government has introduced a taxable family allowance and announced an incentive-based child care spaces initiative that they promise will be "flexible enough to meet the needs of all families" and will "work for all sizes and types of employers".¹

The price tag for this all-encompassing initiative? The federal government's web site indicates a financial commitment of \$250 million each year over the next five years – a veritable bargain by international standards to achieve such far-reaching objectives. But what the web site doesn't clearly say is that this **\$250 million annual budget replaces previously committed and dedicated federal funds for child care services of \$1.2 billion, for a net loss of \$950 million.** Now, the mismatch between the initiative's goals and financial reality reaches mythic proportions.

Although the current federal government is taking away **62%** of the funds that are flowing to communities now, and **79%** of what was committed for communities in 2007 (see Table on p. 3), through this initiative the federal government claims it will:

- *meet the needs of all families regardless of their hours of work or whether they live in cities, small towns or rural areas*
- *work with business, community and non-profit organizations, and with the provinces and territories to make the initiative work for all sizes and types of employers*
- *work with provincial and territorial governments to ensure that the initiative complements what is already in place.*
- *create up to 25,000 new child care spaces each year, beginning in 2007.*²

¹ Government of Canada. "Child Care Spaces Initiative: Frequently Asked Questions." June 26, 2006. http://www.universalchildcare.ca/en/faqs_spaces.shtml

² Government of Canada. "Child Care Spaces Initiative: Frequently Asked Questions." June 26, 2006. http://www.universalchildcare.ca/en/faqs_spaces.shtml

Despite the initiative's "everything for everybody" marketing campaign, many experienced child care providers and experts have called these claims into question and described worrisome implementation and ongoing operational issues.³ To date there is no commitment from the federal government to ensure that public funds will be invested in spaces that:

- Support children's healthy development
- Meet public standards for quality
- Are publicly or community-owned and accessed
- Prioritize established community needs and plans
- Are sustained through adequate operating funds

Reason for concern is apparent when we look at the financial realities behind this initiative in more detail. The following table shows the estimated impact of the federal government's planned child care service funding cuts on families and communities in each province and territory:

- **What communities have now:** In addition to funding the new taxable family allowance this year, column 1 shows that the current federal budget maintains most of the funding previously committed to expanding families' access to quality, affordable child care services. Following the 2005 bilateral agreements signed between the federal government and all 10 provinces, \$650 million is being used to stabilize and enhance programs, and increase child care subsidies for lower-income families.
- **What communities were promised for next year:** Under these same agreements, dedicated child care funds were scheduled to increase to \$1.2 billion next year as shown in column 2. While various financial models and international comparisons consistently show more public funding is required to ensure universal access to quality child care services, many provinces had substantial plans in place to, for example, start building new community-based spaces with these funds.
- **What communities will be lucky to get next year instead:** The \$1.2 billion annual commitment for regulated early learning and child care services will be replaced by an annual budget of \$250 million that aims to create 25,000 new child care spaces across Canada in each of the next five years. While the process for community access to these funds is not yet clear, column 3 shows the estimated totals that would be distributed within each province and territory if a per capita funding basis was used.⁴
- **What's being taken away from communities:** As column 4 shows, **next year communities are facing a 79% reduction in the level of funding committed to improving families' access to quality, affordable child care services.**

³ See, for example, "What's wrong with the federal child care spaces initiative?" Code Blue For Child Care. http://www.buildchildcare.ca/updir/buildchildcare/Whats_Wrong_with_Fed_CC_Spaces.pdf

⁴ This would be the 'best case scenario' under this initiative. There is no guarantee that funds will be distributed on a per capita basis or that funds will be divided equitably across the country.

Comparison of federal transfers and child care spaces initiative

	1	2	3	4
	What communities have now	What we were promised for next year	What we'll be lucky to get next year instead	What's being taken away from communities (2 - 3)
Province Or Territory	Transfers 2006/07 Budget (millions)	Transfers 2007/08 Bilaterals (millions)	Spaces Initiative 2007/08 (millions)	Estimated 2007/08 Funding Cut (millions)
Nfld/Lab	10	18	4	14
PEI	3	5	1	4
Nova Scotia	19	33	7	26
New Brunswick	15	26	6	20
Quebec	153	271	59	212
Ontario	253	449	97	352
Manitoba	24	42	9	33
Saskatchewan	20	35	8	27
Alberta	66	117	25	92
BC	86	152	33	119
Nunavut	0.6	1.1	0.2	0.9
NWT	0.9	1.6	0.3	1.3
Yukon	0.6	1.2	0.2	1.0
Aboriginal/ Accountability	0 ¹	50	0	50
Total	650	1,200	250	950

Cut in funds flowing to communities now (column 1 minus 3) divided by column 1) **62%**

Cut in funds planned for next year (column 4 divided by column 2) **79%**

Figures in columns 1 through 3 are based on equal per capita allocations, as follows:

1	Federal transfers web site (http://www.fin.gc.ca/FEDPROV/ecde.html). Budget 2005 also included an additional \$25 million each for First Nations on-reserve and accountability, which is no longer clearly shown as part of Budget 2006.
2	Bilateral agreements and Budget 2005.
3	To date, the federal government indicates that the space initiative funds would flow to organizations not provinces and territories. This column therefore estimates the funds that would flow to organizations within various provinces and territories, based on per capita allocations (using 2006/07 projections as of October 2005). However, as indicated above, funds might not be distributed on a per capita basis.
4	Totals may not add due to rounding.

Conclusion

Words and funding cuts will not build and sustain child care spaces. A credible approach to expanding child care services in communities across the country requires adequate resources, public standards and provincial and territorial plans. So far, the current federal government's spaces initiative lacks all of these. The words and the numbers simply don't match up.