



Building Blocks for Child Care

HOW TO MAKE CHILD CARE EXPANSION HAPPEN IN ONTARIO

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A paper written for Building
Blocks for Child Care (B2C2)

www.b2c2.ca

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The Purpose

The purpose of this paper is to determine “how do we get from here to there?” We know that gaining the labour force and child-centred benefits of early learning and child care depends on the expansion of services. So far, expansion of affordable child care services is not a priority in Ontario, but it should be. This paper presents a set of concrete proposals that might receive broad support.

In particular, the focus is on how we in Ontario will be able to expand the supply of high-quality not-for-profit and public services to both meet the overall demand for child care services and serve the needs of marginalized families and equity-deserving groups.

In the Action Plan that Ontario included as part of the CWELCC agreement with the federal government, the Ontario Government promised that:

“In the summer and fall of 2022, the government will engage a broad range of partners on the space expansion and inclusion commitments in the CWELCC agreement. This engagement will be done in partnership with municipal service managers and include child care operators, First Nations, Inuit and Metis partners, Francophone stakeholders, organizations representing children with special needs and others and will focus on forming the basis of Ontario’s space expansion and inclusion priorities. By the fall of 2022, municipal service managers will be required to submit space expansion plans and inclusion plans to inform the provincial allocation of new child care spaces and to ensure a broad range of communities have access to high quality,



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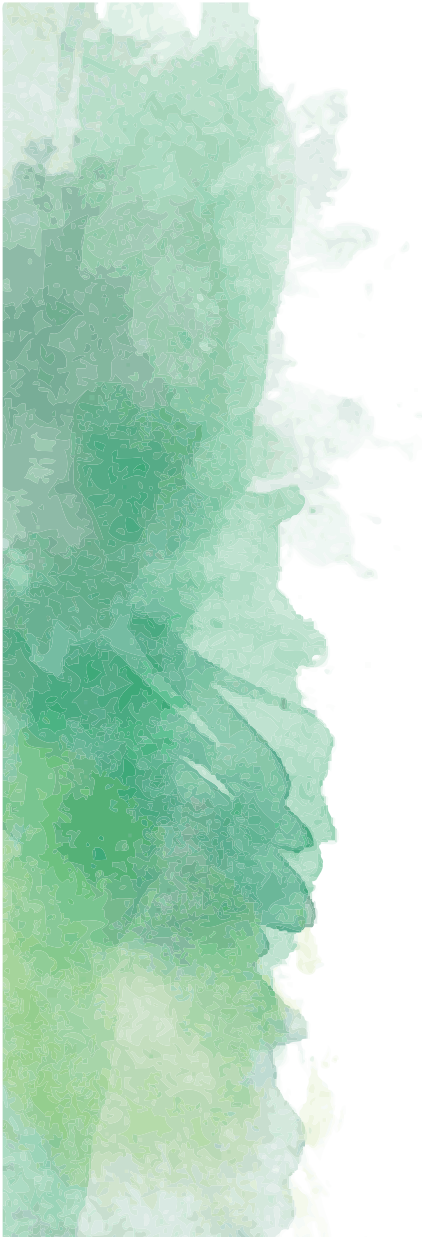
Beyond the Remit

Inadequate numbers of qualified educators is a major barrier to early learning and child care expansion in Ontario. A comprehensive workforce strategy is beyond the remit of this paper. However, this paper does recommend adoption of a wage and benefits grid consistent with the recommendations of the Association of Early Childhood Educators of Ontario and the Ontario Coalition for Better Child Care.

affordable and inclusive child care. In December 2022, based on space expansion and inclusion plans, Ontario will provide start-up grants to support the creation of new spaces in targeted regions and for underserved communities and populations.”

(Section 4.2, Early Implementation Activities, *Ontario’s action plan for fiscal year 2022 to 2023 and fiscal year 2023 to 2024*).

The consultations have not happened in the summer and are not yet planned for the fall. Municipalities have not yet been asked to submit expansion plans. There is no financial support for expansion. There is no province-wide plan for expansion. This is not good enough. We need answers now. We need action on expansion now.



The Origins of This Paper

This paper is written by Dr. Gordon Cleveland, an economist with many years of experience thinking about and analyzing policy issues in early learning and child care. Analysis of the current situation in Ontario and policy recommendations emerged from a collaborative discussion with the Board and Advisory Group of Building Blocks for Child Care (B2C2), a not-for-profit child care organization providing support to not-for-profit and public child care expansion in Ontario. B2C2 is composed of individuals who collectively have a wealth of experience in not-for-profit child care management and delivery, child care policy, design and construction, municipal service system management, and in co-op housing development.

Some of the policy recommendations, such as the use of Land Trusts to hold child care assets and the use of government loan guarantees to make it possible for not-for-profit child care organizations to borrow money from financial institutions, are relatively novel and deserve further elaboration. There is no panacea as far as not-for-profit and public child care expansion is concerned, but there needs to be a clear direction and strong principles.

10 Recommendations for Action

The Ontario early learning and child care expansion plan should, we think, have the following elements. There are 10 recommendations. The first 7 relate to financing, planning and managing expansion of early learning and child care services. The 8th, 9th and 10th recommendations address the crisis in the supply of qualified educators, the need for transparent mechanisms of cost-control and reporting, and the need for support for organizations like B2C2. We put this forward as a basis for discussion and consultation.



1

Publicly-funded capital grants and public loan guarantees

Publicly-funded capital grants and public loan guarantees to be made available to financially viable not-for-profit and public operators willing to expand in accordance with public plans. This could be in the form of grants for capital expansion, as in [B.C.'s New Spaces plan](#). Some part of it could be in the form of loan guarantees made to financial institutions by the provincial government on behalf of approved not-for-profit and public organizations willing to expand child care services in accordance with public plans. The current Ontario expansion plan assumes that operators already have capital or easy access to capital; this is true for commercial operators that issue and sell shares and/or take ownership of land and buildings that can be used as security for borrowed funds, but it is not true of most not-for-profit operations. Nearly \$10 Billion will be spent lowering fees in child care services in Ontario over the next four years. At least that sum will need to be spent on the building of new child care facilities to provide services for many generations of Ontario children. Ontario urgently needs plans that detail the source and amount of complementary funding that will be necessary for rapid capital expansion of these services to meet new demand.

2

Public planning mechanisms

Public planning mechanisms that layout a roadmap for future expansion to double the number of licensed child care spaces over 10 years. These mechanisms should include both provincial and municipal levels of government, and school boards as necessary and should use municipal expertise in developing service system expansion plans. Community colleges and universities should be brought into the planning discussion to ensure that the supply of qualified educators

matches physical expansion, but also as important sites for the expansion of spaces. Both the for-profit and not-for-profit/public sectors should be guided by plans that establish priorities for expansion – expansion priorities should not be determined by which locations and which children are most profitable to serve. Public expansion planning should ensure that underserved areas and underserved communities get priority for expansion but that there is expansion in all CMSM/DSSABs. The province, in consultation with municipalities, should estimate local and province-wide demand for licenced child care and ensure that supply is planned to match demand in each CMSM/DSSAB. Because new construction can take 3 to 5 years from planning to occupancy, and because Ontario will need an additional 300,000 spaces to meet anticipated demand at \$10 a day, planning and funding commitments and CWELCC participation commitments need to start now. Barriers to expansion need to be understood and removed. In addition, there should be review and revision of zoning issues that can affect the location of child care centres or regulated family homes.

3

An inventory of publicly-owned buildings and lands

An inventory of publicly-owned buildings and lands potentially available for the permanent siting of not-for-profit and public child care in each CMSM/DSSAB. This inventory should include school-board properties, as well as municipal, provincial and federal properties and should include community colleges and universities. Seven out of ten elementary schools in the province currently have child care facilities, but few of them include spaces for preschool age children. Apparently, there is room for considerable expansion of not-for-profit preschool child care in schools in some municipalities, which an inventory should determine. Provision of child care services should increasingly become an inherent part of the core mission of Ontario schools.

4

Municipalities need to seize opportunities to make space available for child care expansion

Larger municipalities need to ensure that developers of housing and business buildings make co-location space available for new child care centres as a “community benefit”. This should become a norm for new construction. Ideally this space should be provided at free or reduced rental rates with these rents being guaranteed for very long run occupancy. In addition, when substantial government funding is involved in the development of new, not-for-profit housing (e.g., the co-op housing program announced in the federal budget) it should be required to include public or not-for-profit child care centres.

5

Explore the use of Land Trusts as a means of guaranteeing child care facilities for future generations.

The term Land Trust refers to non-profit, charitable organizations which have as one of their core activities the acquisition of land or interests in land (like conservation easements or the preservation of social housing). The hallmark of a land trust is the direct action it takes to protect the local land base, and that the land trust then holds those lands in trust for future generations. Various land trusts in Ontario have diverse interests in properties. Across the province, land trusts have been established to protect scenic, historical, agricultural, and recreational lands as well as housing and conservation areas. The [Ontario Farmland Trust](#), for example, is focused towards preserving agricultural lands, while the [Ontario Heritage Trust](#) is not only interested in protecting natural landscapes, but areas that have cultural value as well. The [Neighbourhood Land Trust](#)



has recently partnered with YWCA in Toronto to hold and operate a housing portfolio of single-family homes and small residential buildings in Toronto's west-end Parkdale district.

6

Legislation and regulations

Legislation and regulations that ensure that child care assets that are funded by government money remain in public or not-for-profit para-public hands. This requires that the transfer of for-profit or not-for-profit child care centres to new ownership is controlled. The objective is to ensure that child care centres do not get concentrated in the hands of large for-profit chains and that centres cannot be sold off and disappear simply because there is a profit to be made in selling real estate. The provisions in the [Co-op Corporations Act](#) designed to protect non-profit use have been tested in practice and may be a useful model if the protections in the [Non-Profit Corporations Act](#) are not sufficient.

7

Early guarantees of access to operating funding, licencing and purchase-of-service subsidy agreements for not-for-profit and public services.

In order to access loan financing – for start-up, bridging, or construction – centres need a guarantee that they will have revenues to repay loans. These guarantees will in general need to come 3 to 5 years before occupancy, allowing for planning and construction time. Current practice is to only give final assurances of licencing and guaranteed access to operating funding very late in the building process, which makes it difficult or impossible to access financing from banks and financial institutions. For new facilities serving low-income families, further reductions of fees for these families would be needed.

8

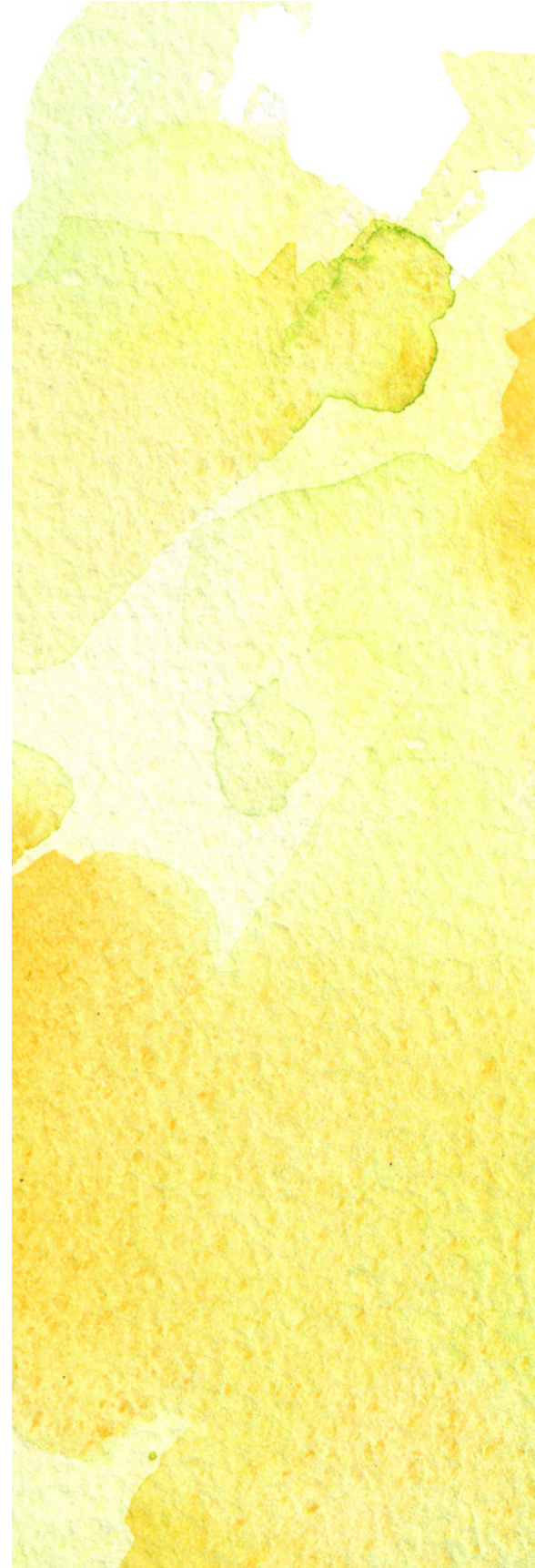
Development and implementation of a province-wide salary and benefits grid AND much more funding to support increased compensation of qualified child care educators and other ELCC staff now.

Development and implementation of a province-wide salary and benefits grid AND much more funding to support increased compensation of qualified child care educators and other ELCC staff now. Shortages of qualified educators are currently at crisis levels in Ontario child care; this is a key barrier to expansion. Ontario's current wage enhancement plans will do little to attract needed qualified educators in the midst of a labour shortage. The explicit objective of wage enhancement should be to make the salaries of qualified child care educators competitive with that paid to child care educators working in the education sector, or in community colleges like George Brown, or to practical nurses and other trained professionals in the health and education sectors. Benefit packages are important too. A salary and benefits grid should raise compensation substantially, and should incentivize further education and professional development. Adopting and conforming to the salary and benefits grid should be required for CWELCC participation. Otherwise, the necessary recruitment of qualified educators will not be possible. Salary and benefits support should obviously include those caring for school-age children to avoid dysfunctional pay disparities.

9

Simplified transparent methods of determining funding required by all providers.

The April 2022 funding guidelines made municipalities responsible for coming up with ways of judging whether claimed child care costs were reasonable, whether facility rents were reasonable, whether director/owner salaries were



reasonable and much more. This would have been a real burden on municipalities and, given the lack of municipal resources in some municipalities, would have been an ineffective method of controlling costs and determining required funding. The implementation of a permanent province-wide costs-based funding model has now been postponed until 2024. It is important that municipalities are able to judge costs and profits of all child care operators for reasonableness through a mandated budget submission process, but municipalities will require strong and ongoing research and personnel support to do this. Costs information provided through a budget submission process will provide the indispensable basis for development of a long-term funding model and immediately for judging reasonableness of expenditures. The province, guided by the municipalities that have considerable experience, should adopt broad regulations for different cost categories based on ongoing study of these child care costs. Municipalities and operators need to know what costs are acceptable and not acceptable going forward. Further, costs containment should not squeeze out quality; instead, true quality improvements should legitimate higher levels of government support.

10

Public funding for non-profit support organizations like Building Blocks for Child Care (B2C2).

These are organizations that assist not-for-profit child care providers in navigating the complex details of project development to build new early learning and child care centres and redevelop existing facilities. They need to be financially supported to assist not-for-profit and public programs to expand.



Questions




Answers

What kind of child care system has Ontario agreed to create?

In the Canada-Ontario Canada-Wide Early Learning and Child Care Agreement signed by Ontario on March 28, 2022, Ontario commits itself to cutting parent fees and creating more high-quality child care spaces, largely in not-for-profit services:

...providing a 50% reduction in average parent fees for licensed ELCC by the end of 2022 and reaching an average of \$10 a day by the end of fiscal year 2025 to 2026 for licensed child care enrolled in the Canada-wide ELCC system” and “creating more high-quality, affordable licensed child care spaces, predominately through not-for-profit licensed child care providers....” (Section 1.2). Further, “Ontario commits to using federal funding to increase the net number of licensed child care spaces for children under age 6 by flowing funds by the end of fiscal year 2025 to 2026 to support the creation of 76,700 spaces (from 2019 levels) by March 31, 2026, and 86,000 child care spaces (from 2019 levels) by December 31, 2026. (Section 2.1.1)



The Agreement explicitly commits Ontario to ensuring that at least 70% of additional licensed child care spaces for children 0-5 will be in the not-for-profit and public sector.

...in creating these child care spaces, Ontario commits that:

- i. federal funding will be exclusively used to support licensed child care
- ii. federal funding will be used predominantly to support the creation of not-for-profit child care spaces to ensure that the existing proportion of not-for-profit licensed child care spaces for children age 0 to 5 will be maintained or increased by the end of this Agreement. For further clarity, at the end of this Agreement, the proportion of not-for-profit licensed child care spaces for children age 0 to 5 compared to the total number of licensed child care spaces for children age 0 to 5 will be 70% or higher.” (Section 2.1.1)

Further, the Agreement makes clear that not-for-profit child care services are those whose objectives are to improve family and child well-being rather than to increase the personal benefits and asset values of private owners. As the Agreement says:

“Not-for-profit providers/operations, as it pertains to licensed child care, child care spaces, and early learning and child care programs means such services to a community for a purpose other than generating a profit, including publicly-delivered child care operations. Providers/operations may generate a profit, but the surplus earnings, or

other resources, are directed towards improving child care services (for example, improving family or child well-being or development) rather than distributed for the personal benefit of owners, members, investors or to enhance asset growth. For the purposes of this Agreement, all home child care agency licensees (as defined under the Child Care and Early Years Act, 2014) are deemed to be not-for-profit licensed child care, regardless of auspice.” (Section 1.0.3).

How many licensed child care spaces will we need in Ontario? What does this mean about the rate of expansion we need each year? How many spaces is Ontario currently planning, and what rate of expansion is that?



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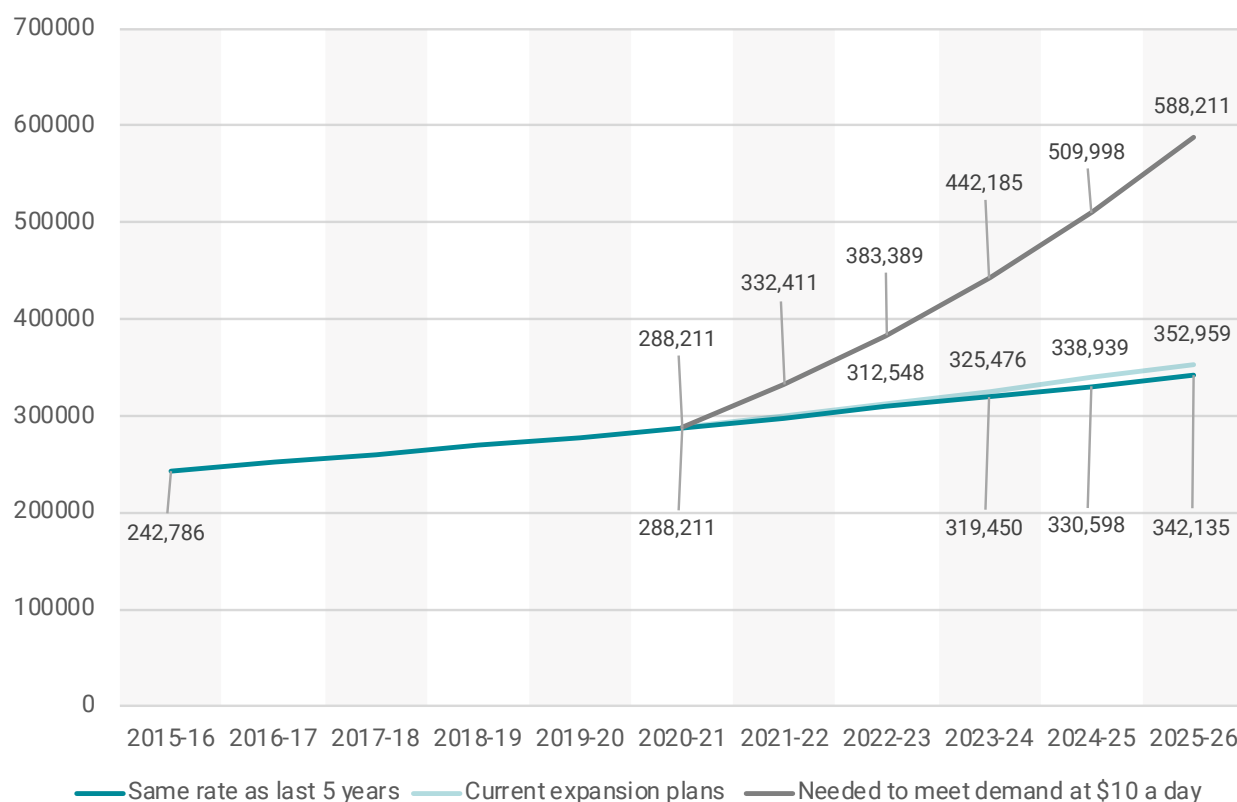
Expand by 61,700 spaces

Ontario says that the number of spaces will increase by 86,000 over the period of the agreement. However, only 76,700 spaces will be created by March 31, 2026 (when current Canada-Wide agreements end) and 15,000 of these spaces were actually created between 2019 and 2021, so they preceded the signing of the Ontario agreement. See Table 13 of the Ontario Action Plan for confirmation of these numbers.

[Expert calculations](#) suggest that we will need an additional 300,000 licensed child care spaces in Ontario to meet demand at average \$10 a day fee levels. Since, as of March 2021, there are 298,000 spaces for children 0-5 in Ontario, that would require a doubling of spaces. To achieve this over 5 years, Ontario needs to have an average growth rate of 15% per year, each year. Instead, Ontario is planning to expand by 61,700 spaces over the 5-year period from March 2021 to March 2026. That's a growth rate of 4.1% each year.

How does this planned growth in Ontario compare to the last 5-year period up to March 2021 from March 2016? Over the last 5 years, total child care centre spaces for all children 0-12 increased by 3.6% per year. Child care centre spaces for children 0-5 (infants, toddlers, preschoolers and kindergarten


Current Ontario Expansion Plans Are Much Too Low To Meet Expected Demand When Child Care is \$10 a Day



children) increased at an average rate of 3.5% per year. Effectively, despite huge anticipated new demand for child care, Ontario is planning to increase capacity at just a bit more than the rate of growth in the last 5 years.

Where will we need these spaces?

Ontario's Action Plan describes an elaborate process for deciding where new child care spaces are most needed. "In the summer of 2022, Ontario will engage with partners to develop a framework for targeted space creation for



communities and for populations most in need of new spaces. As it expands its child care system, Ontario will work with service system managers and a range of other partners to ensure equitable funding approaches based on community need.

By the fall of 2022, municipal service managers will be required to submit space expansion plans and inclusion plans to inform the provincial allocation of new child care spaces and to ensure a broad range of communities and populations have access to high quality, affordable and inclusive child care. In December 2022, based on space expansion and inclusion plans, Ontario will provide start-up grants to support the creation of new spaces in targeted regions and for underserved communities and populations.

This directed growth approach will support space creation in regions of the province that have had historically low rates of space availability. Funding will be allocated to work towards ensuring equitable access to affordable, high quality and inclusive child care for children age 0 to 5.” (Ontario’s Action Plan, Section 4.5.2)

The intention to plan the expansion of licensed child care to meet community needs is laudable. Equitable distribution of spaces and ensuring access in underserved areas is important and should be the first priority for scarce funds. But this thinking completely misunderstands the tsunami of additional demand for licensed child care that will soon hit the province. A tidal wave of child care demand hit Quebec when it lowered fees to \$5 a day; why do we apparently believe that Ontario is so different?

The capital expansion plan we need in Ontario has to be so much more ambitious than this “filling in the holes” approach of the Ontario Ministry of Education. We will need more licensed child care EVERYWHERE in the province, in the big and medium-sized cities, in the small towns and rural areas, in the north and remote areas, in Indigenous communities and everywhere in between. That will include areas that are relatively well-served already, but that do not have enough existing child care capacity to meet a doubling of demand. And, as a priority, it will include areas that are currently underserved.

What is Ontario’s child care expansion plan according to the Agreement?

Ontario’s current child care expansion plan is not a plan for “building the system”; it is better described as a plan for “filling the holes”. We are told that: “In the summer of 2022, Ontario will engage with partners to develop a framework for targeted space creation for communities and for populations most in need of new spaces.” (Section 4.5.2 Growth in Spaces). Further: “In December 2022, based on space expansion and inclusion plans, Ontario will provide start-up grants to support the creation of new spaces in targeted regions and for underserved communities and populations.” (Section 4.5.2 Growth in Spaces) It is worth noting that start-up grants are very minor grants that can provide very little support to the “creation of new spaces”, without additional and substantial capital funding.

Ontario will use a variety of existing tools “to identify regions with high need populations including vulnerable children, children from diverse populations, children with special needs and Indigenous and Francophone communities.” (Section 4.5.2 Start-up Grants).

The focus is on enabling “new space creation in regions that may not be accommodated through natural market growth.”



NOTE

A Variety of Existing Tools

In particular, Ontario is developing a data-based model “incorporating demographics, socio-economic indicators and existing licensed child care capacity” to allocate new expansion amongst CMSMs and DSSABs. The model will include data from the 2016 Census:

- Statistics Canada’s low income measure
- Percent of employed
- tenant households in subsidized housing
- highest education: no certificate, no diploma, no degree, age 25 to 64
- recent immigrants, 2011 to 2016
- employed women, age 15 to 64
- number of Francophone children 0-5.



NOTE



Modest start-up grants

The Agreement says that “Start-up grants would be used to offset the initial costs required to expand or create spaces in these regions, such as equipment and leasehold improvements.” (Section 4.5.2 Start-up Grants).

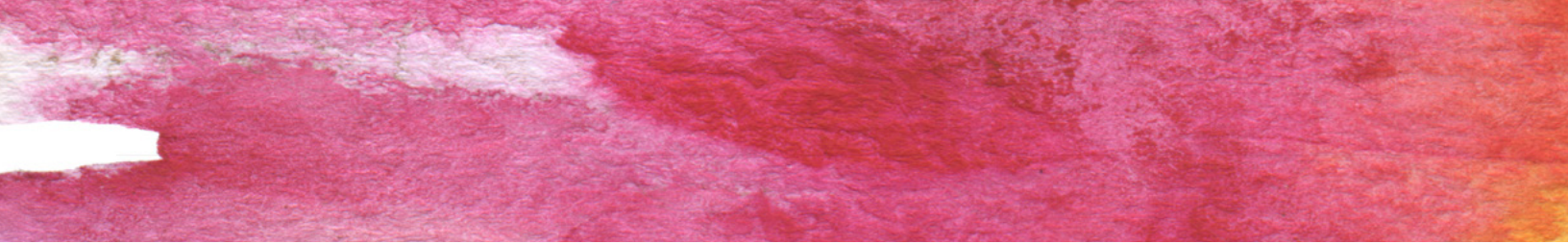
(Section 4.5.2 Start-up Grants). This seems to imply that expansion in these under-served regions is the anticipated role of not-for-profits in Ontario’s expansion of child care services. There is not apparently any system of capital funding anticipated to support this new space creation, beyond very modest start-up grants. Except for school-based settings, Ontario apparently believes capital funding assistance is not needed: “Most child care capital investments in community settings are made by child care operators.” (Section 2.4 Child Care Capital).

There will be a very small amount of direct investment in expanding spaces in schools: “Ontario will continue to implement its commitment of building up to 30,000 new licensed spaces in schools.” (Section 4.5.2 Growth in Spaces). This promise was made back in April 2019 in the Conservative government’s first budget. At the time of signing the Ontario Agreement, approximately 24,000 of these 30,000 spaces had already been approved, so there are only 6,000 additional spaces to be planned in schools.

What is the role of for-profit child care in Ontario’s child care expansion?

The Canada-Wide \$10 a day child care program is intended to be a new public service for families, largely funded by governments but delivered by private providers, mostly not-for-profit and public providers. This is the vision to which the Ontario Canada-Wide Early Learning and Child Care Agreement commits itself.

The Canada-Wide Agreement envisions that all existing for-profit providers of licensed child care will be invited to join the new system. In exchange for receiving large amounts of on-going operational funding from government, these operators would have to agree that they are now private providers of a regulated public service designed to provide very affordable, high-quality child care to Ontario’s children.

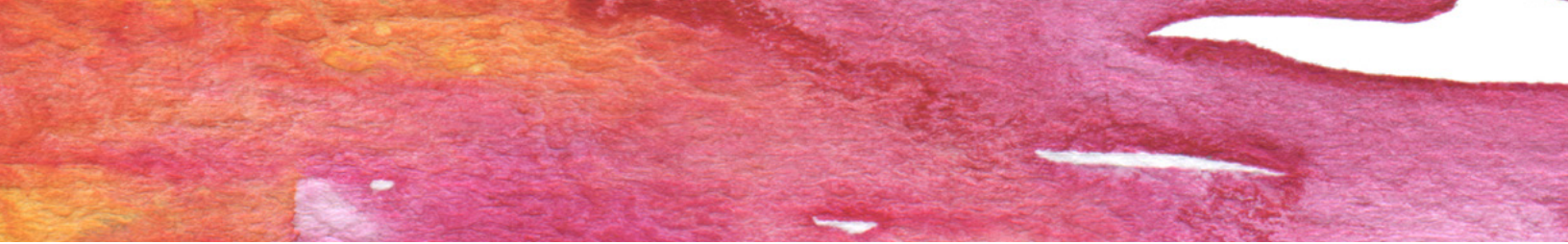


As part of a regulated public service, revenues and expenses for child care services will no longer be managed in the old ways. Providers of child care will no longer be able to set their own fees; these will be limited to \$12 a day in Ontario. Providers of child care will no longer be permitted to pay any level of wages and benefits they want. Wages and benefits will be subject to government policy – a wage grid for trained staff. Providers of child care will receive compensation for the expense of providing child care beyond \$12 a day, but only expenses that are judged to be reasonable in delivering high-quality child care will be compensated. The amount of profit earned by for-profit operators will be limited; the amount of salary that can be charged for the service of management will be limited to be on par with practice in the not-for-profit sector.

Any for-profit operator who wishes to stay outside the system can do so, acting much like private schools do in relation to the public education system.

Ontario has been bending over backwards to include existing for-profit operators in the new \$10 a day system in Ontario. 16 of the 47 Ontario CMSM/DSSABs who are Service System Managers for licensed/regulated child care had municipal policies restricting or banning expansion in the for-profit sector. Many municipalities have quality-assessment processes that have rated for-profits poorly and are used to determine whether particular centres should be allowed to have purchase-of-service agreements in order to care for children from families receiving subsidy.

The new child care regulations published by the Ministry of Education immediately following the signing of the Ontario Agreement, eliminated these forms of municipal discretion. It is explicitly forbidden for a municipality to use poor quality scores to refuse centres access to participation in the new system.



The Ontario Agreement commits Ontario to the objective of expanding child care “predominantly through not-for-profit licensed child care providers” (Section 1.3) and clarifies that by the end of the Agreement (2026) “the proportion of not-for-profit licensed child care spaces for children age 0 to 5 compared to the total number of licensed child care spaces for children age 0 to 5 will be 70% or higher.” (Section 2.1.1).

It is completely unclear what mechanisms will restrain the growth of for-profit providers. Ontario plans expansion of 61,700 spaces to March 2026. If for-profit expansion is limited to 30% of the total, that implies a limit of 18,510 spaces. However, 21,200 spaces are already said to be “in the pipeline” towards being licensed. Of these, 66% or about 14,000 spaces are in for-profit centres. In order to meet the “maximum 30%” commitment, for-profit expansion should therefore be limited to about 4,500 additional spaces over the next 5 years. There is no evidence that this limitation is being imposed. Ontario’s expansion planning mechanisms should include ongoing monitoring of and reporting on the limits on for-profit expansion that Ontario has committed to.

Ontario’s Action Plan says that over the last 5 years most of the child care growth has been in the not-for-profit sector. That is not true for children 0-5; for-profit spaces have grown at an average rate of 3.7% per year, compared to 3.4% for not-for-profit spaces. (note: calculations based on Table 7B, Ontario Action Plan).



Conclusions and Summary

A focus on child care expansion needs to start now in Ontario. Ontario and the federal government have promised parents that affordable, accessible, inclusive and flexible high-quality child care will be available for their children. The spaces for these children will not be available unless the Ontario government places a high priority on moving quickly. We have sought to provide a roadmap that the Ontario government can follow.

Grants & Guarantees

Publicly-funded capital grants and public loan guarantees to be made available to financially viable not-for-profit and public operators willing to expand in accordance with public plans.

Public Planning

Public planning mechanisms that layout a roadmap for future expansion and that include both provincial and municipal levels of government and school boards. Community colleges and universities should be brought into the planning discussion to ensure that the supply of qualified educators matches physical expansion, but also as important sites for the expansion of spaces.

Site Inventory

An inventory of publicly-owned buildings and lands potentially available for the permanent siting of not-for-profit and public child care in each CMSM/DSSAB.

Community Space

Municipalities need to seize opportunities to make space available for child care expansion.

Land Trusts

Explore the use of Land Trusts as a means of guaranteeing child care facilities for future generations.

Preserve Public Assets

Legislation and regulations that ensure that child care assets that are funded by government money remain in public or not-for-profit para-public hands.

Funding Guarantees

Early guarantees of access to operating funding, licencing and purchase-of-service subsidy agreements for not-for-profit services.

Salary Grid & More Compensation

Development and implementation of a province-wide salary and benefits grid AND much more funding to support increased compensation of qualified child care educators and other ELCC staff now.

Funding Model

Simplified transparent methods of determining funding required by all providers.

Funding For Support Organizations

Public funding for non-profit support organizations like Building Blocks for Child Care (B2C2).