

# HOW CAN EARLY LEARNING AND CHILD CARE EXPANSION HAPPEN IN ONTARIO?

GORDON CLEVELAND, JANUARY 5, 2023

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# New Ontario Expansion Rules and Procedures

# The new Ontario expansion rules and procedures

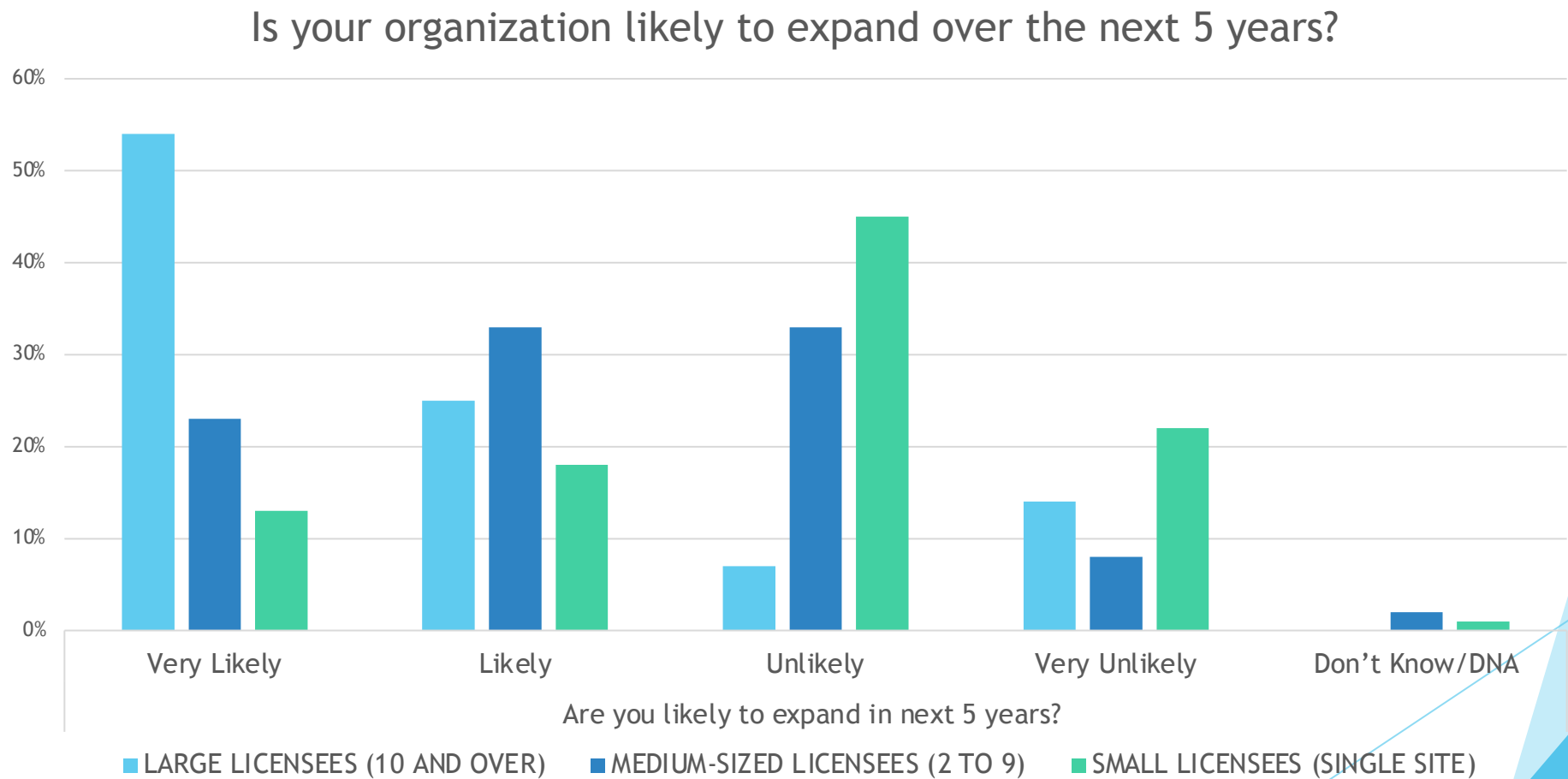
- ▶ The Ministry of Education has decided on all the new space allocations – about 45,000 spaces - for each CMSM and DSSAB for all the years between 2022 and 2026. Some of these space allocations are in schools and some in community locations.
- ▶ How did it do this? The exact methods are mysterious and not transparent and without the promised consultation, but the Ministry says that its allocations are designed to:
  - ▶ move towards more equity in child care coverage across the province (37%)
  - ▶ to serve persons more in need (low-income, black, racialized, new immigrant, Indigenous, etc.
  - ▶ to provide proportionate amounts of French-language child care for Francophone families;
  - ▶ to increase flexible-hours child care.
- ▶ How will this expansion happen? By January 20<sup>th</sup> (!) CMSMs/DSSABs will have to accept the space allocations for the next 5 years and decide where expansion will happen – how many spaces in which priority neighbourhoods (underserved communities).
- ▶ After approval by the province, these projects will be built into new 5-year Service System Plans by each CMSM/DSSAB by Spring 2023

# New licensing procedures and start-up funding

- ▶ There are new licensing procedures, with a bigger role for CMSMs/DSSABs. Before applying for a licence and before spending any money creating new spaces you have to get CMSM/DSSAB approval that these new spaces fit into the local 5-year Service System Plan (i.e., there will be funding) and meet municipal zoning rules. Then, the province will license these new spaces and the CMSM/DSSAB will guarantee your future access to CWELCC operating funding. Big change. Very important.
- ▶ Start-Up Funding. Maximum \$90 per square foot. Easier to think about as maximum \$7,000 per space. For equipment and perhaps minor refit of leased space. This is the only capital money available for community-based expansion!
- ▶ The start-up money will be allocated to CMSM/DSSABs (proportionate to their allocation of community-based spaces). CMSM/DSSABs will make decisions on applications from new licensees. Must spend start-up funding within 2 years.

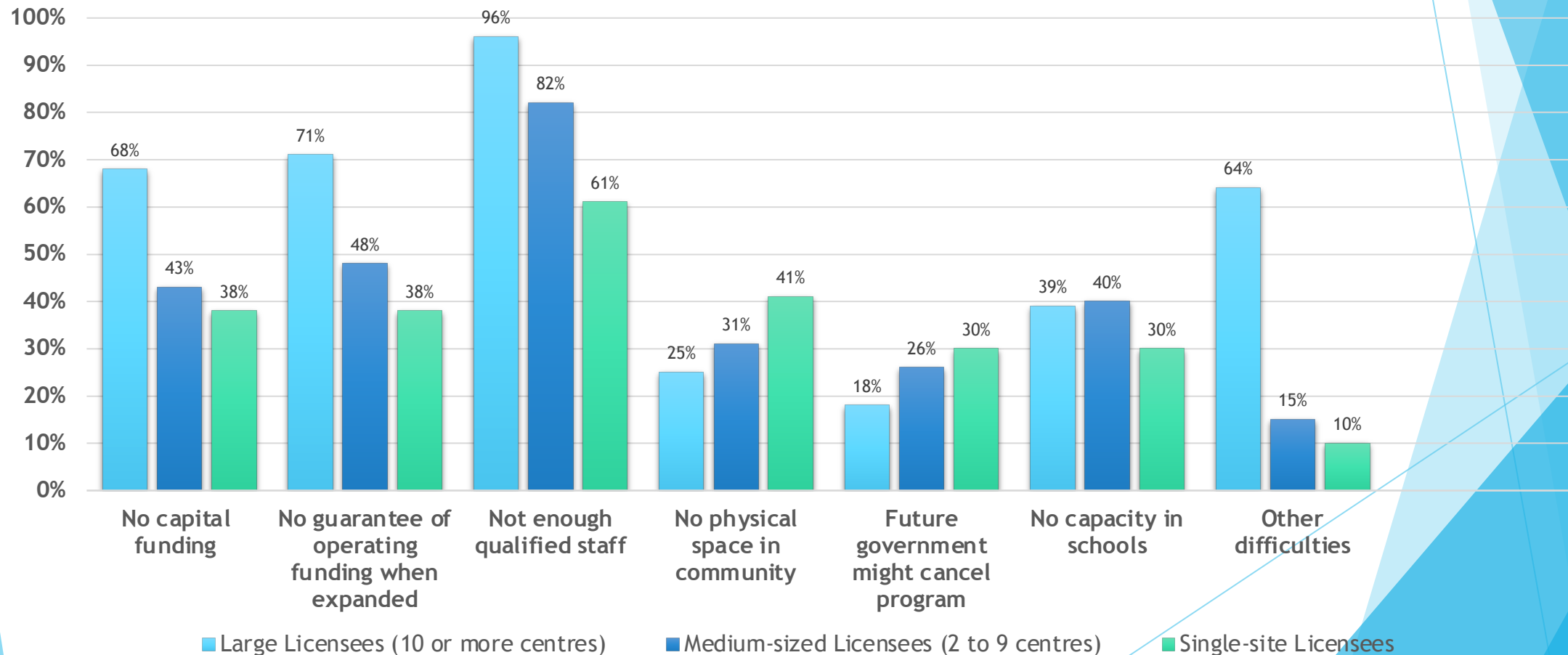
# The Barriers to Expansion

The good news is that many not-for-profit and public providers are willing and anxious to expand

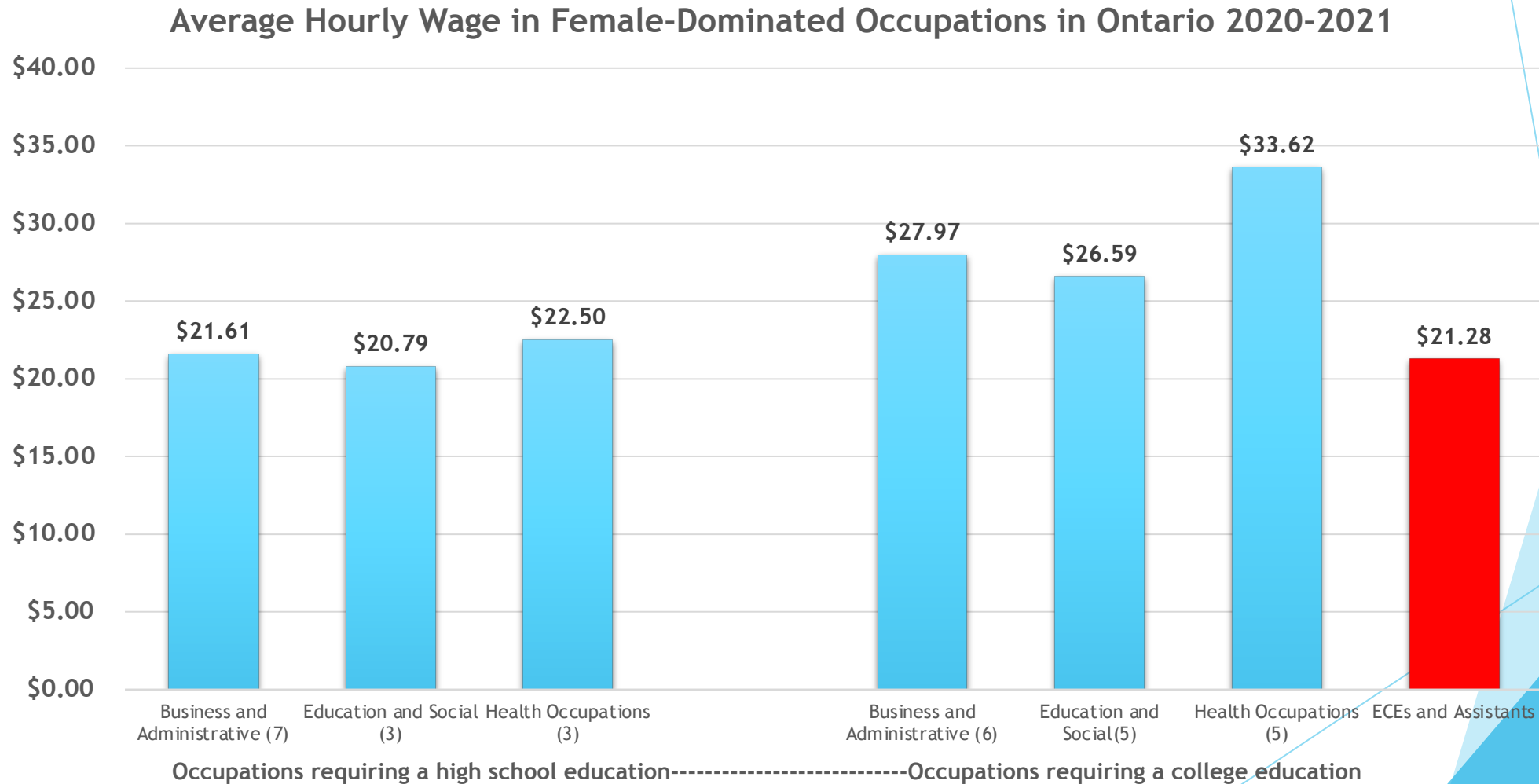


# But there are significant barriers to expansion for not-for-profit and public providers

Key Barriers to Expansion



# Why are there very substantial shortages of qualified early childhood educators (ECEs)?





# Capital Funding is needed for Expansion

- ▶ Ontario's start-up funding may cover equipment and minor renovation and not much more.
- ▶ The expected building cost of a new child care centre will be at least \$3 million - \$4 million depending on number of spaces and ages served. But, the maximum start-up grant is \$350,000. Perhaps 1/10<sup>th</sup> of the required funds.
- ▶ A capital fund like B.C.s New Spaces Fund is needed.
- ▶ Along with that the province should provide loan guarantees at the time new spaces are licensed to permit not-for-profits to borrow funds at low interest rates and with low risk. After all, the loans will be paid back through federal-government-provided CWELCC operating funding over time. Providing guarantees of operating funding before construction begins is a big step forward, but more support is needed.
- ▶ Without access to capital funds, expansion will not happen!

# Public Lands

- ▶ We are building a system that will last for generations. We are building community assets that will serve generations of children and families.
- ▶ Why would we want not-for-profit and public child care that is 90% paid for with public funds to be located on lands owned by private investors that can be taken away when there is a better profit opportunity?
- ▶ We need a detailed inventory of public lands that could be available for child care expansion. For each CMSM/DSSAB. These child care centres are going to be permanent community assets that should be located on publicly-provided lands whenever possible.

# Opportunities and Possibilities

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# What are the opportunities and possibilities?

- ▶ This is the beginning, not the end. There are huge opportunities for us to grasp together. We have the possibility of creating a universal, low-fee system of good quality early learning and child care provided predominantly by not-for-profit and public providers for our children and our children's children and for generations beyond. But we are going to have to fight to make it happen in the way that we know it should.
- ▶ The Financial Accountability Office of Ontario says that we will need just over 298,000 additional child care spaces for children 0-5 when the fee is \$10 a day. The Ontario government only has plans to add less than one-quarter of that.
- ▶ What that means is that expansion of early learning and child care facilities in Ontario is going to be on our agenda for years to come. So, let's begin to dream big and plan for expansion now.

# Nearly all new licences will go to not-for-profit and public providers

- ▶ Ontario has committed itself: *“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”*
- ▶ To achieve this, only about 2,300 more spaces can be in the for-profit sector. Nearly all of the permitted expansion of for-profits has already taken place.
- ▶ Ontario should therefore be consulting intensively with not-for-profit and public providers to learn what policy and funding changes are needed to make expansion happen.
- ▶ Home child care is not-for-profit according to the Ontario-Canada agreement. There will be some expansion of home child care, but there are real difficulties recruiting new providers here as well.

# Shortages of qualified ECEs are both a barrier and an opportunity

- ▶ Good news or bad news? We are in the midst of a world-wide and certainly Canada-wide shortage of labour. For ECEs, but for other occupations too.
- ▶ It will be really hard to double the number of qualified ECEs which is about what we need to do over the next 10 years. But where there is difficulty there is opportunity.
- ▶ For many years we have known that wages of early learning and child care workers need to rise, but we have had limited success in convincing governments. I believe the current shortages of qualified early childhood educators mean that we are going to win that argument.
- ▶ It is obvious to almost everyone (except the Ontario government) that without higher wages and benefits for ECEs, expansion cannot happen.

# For-Profit Operators

# Role for for-profit operators

- ▶ There can be a role for for-profit operators in a universal system. Having a certain percentage of for-profits is not NECESSARILY a deal-breaker.
- ▶ For-profit operators need to be only a minority – a small minority – of all providers. They can't be allowed to become so powerful that they can set the rules of the game.
- ▶ **And the key is that for-profits in our universal child care system must accept the rules of the game.**
- ▶ What do I mean by rules of the game? Early learning and child care is becoming a public service somewhat like health and education. Child care will be largely publicly funded and must be accountable for the ways it spends public funds. Value for money received.
- ▶ Early learning and child care will be affordable to parents, will be of high quality, will be universally available in a wide range of forms suited to children's and parents' needs and will be delivered mainly by not-for-profit and public licensees, with some delivery of services by private for-profit operators.



# Role for for-profit operators (continued)

- ▶ In the early learning and child care system we are building, all operators will charge parents \$10 a day or close to it (\$12 a day in Ontario).
- ▶ Operators will receive public funds to cover the rest of their costs that aren't covered by parent fees. Something like 80%-90% of an operator's revenues will come from government.
- ▶ Operators will have to be financially accountable for these funds and transparent about how they spend them. Some expenditures will not be legitimate and many will. There will be monitoring, quality evaluation, and extensive reporting requirements.
- ▶ That's the way that a universal fixed-fee system has to work, but most for-profit operators seem not to accept these rules of the game.

# What do the for-profit operators want?

- ▶ For-profit operators want very few controls on their spending and the costs that they can claim. They lobbied the Ministry successfully to get rid of most measures of financial accountability for the 2022 and 2023 funding guidelines. Yet, without financial accountability, they expect governments to compensate them for all of their costs above \$10 a day. How can that work? It doesn't.
- ▶ In fact, if you talk to for-profit operators for a little while, you find out that they don't like a fixed-fee system at all. They want a tax credit scheme, in which for-profit operators charge whatever the market will bear, and governments give increasing amounts of money to parents to chase after the rising fees and try to make child care affordable.
- ▶ They don't accept the rules of the game. And as long as they don't accept the rules of the game, for-profit operators play a decisively negative role in our attempts to build a universal system of good quality child care services.

# For-profit myths

- ▶ Do we need for-profit operators? Are they the only ones that can raise the capital required and expand services? No, not if governments work to make capital grant funds available and provide the loan guarantees that will make financial institutions willing to loan money to not-for-profits.
- ▶ Do we need for-profit operators in order to provide “choice” to parents? Mostly no. There is a very wide variety of child care services provided by not-for-profit operators in Ontario and the Canada-Ontario child care agreement will increase the amount and variety of services available. The clear record of for-profit child care operators in Quebec is that they provide, on average, a much lower quality of child care services. That is not the kind of “choice” we want.
- ▶ Do we want the existing for-profit providers to stay in the CWELCC system? Yes, right now we need and want their spaces. But only as private suppliers of what is, in effect, a public service. Following the new rules of the game.

What should we do now, collectively, to build a universal system of community-based early learning and child care in Ontario?

# What should we do now?

- ▶ Seize the opportunity: We - the providers, staff and supporters of not-for-profit and public child care operators in Ontario - are the ones that built the child care services we have. Over 75% of Ontario's child care services.
- ▶ We now have the opportunity to complete the task we began. The federal government is putting an extra \$3 billion per year into early learning and child care in Ontario, and it is willing to put in more money over time. So should the provincial government.
- ▶ Over time there will be much more tax money flowing into provincial and federal coffers. More of this needs to be spent expanding services.

# We need to make our demands and needs clear to policy-makers

- ▶ Wages and benefits for early childhood educators need to rise substantially.
- ▶ The province and federal government need to make capital money available for child care expansion.
- ▶ The province and federal government need to provide loan guarantees to not-for-profit and public child care facilities if they are part of publicly planned expansion.
- ▶ Ongoing operational funding needs to cover true costs – we need ongoing financial accountability to determine which costs are legitimate and cover them. We need to make our voices heard in consultations about a new funding model.

# We can do this

- ▶ We must do this.
- ▶ Even if all the policies and funding arrangements aren't yet in place, we must all work on planning future expansion, we need to get parents behind us and we need to put pressure on governments to get the policies and funding arrangements we need.

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# Thank you!

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