

Submission to the House of Commons Standing Committee on Finance

Pre-Budget Consultations in Advance of the 2026 Federal Budget

Building Blocks for Child Care (B2C2)

Expanding Canada's Child Care System:

Financing the Infrastructure Needed to Deliver \$10-a-Day Child Care

Submitted by:

Building Blocks for Child Care (B2C2)

Toronto, Ontario

www.b2c2.ca

Executive Summary

Canada's Canada-wide Early Learning and Child Care (CWELCC) system has been transformational. Parent fees have been dramatically reduced, labour force participation has increased, and affordable child care is now recognized as essential economic infrastructure.

However, Canada is now entering the next phase of the project: **expansion**.

The core challenge facing governments is no longer primarily affordability. It is the inability to create enough new licensed spaces quickly enough to meet demand. Across Ontario and much of Canada, waitlists remain extensive despite strong parent demand and unprecedented federal investment.

The evidence is increasingly clear: the problem is not a lack of willingness among non-profit child care providers to expand. The problem is that Canada has not yet built the infrastructure financing system needed to support expansion at scale.

Building Blocks for Child Care's 2025 provincial survey of multi-site operators, *Willing, But Not Able?* found that most non-profit operators are willing and ready to expand, but are constrained by:

- Lack of capital funding
- Insufficient workforce funding and low wages
- Lack of suitable community space
- Uncertainty regarding long-term operating funding

This submission urges the federal government to move from a passive approach to child care expansion toward an active infrastructure strategy.

Recommendations

B2C2 recommends that the Government of Canada:

1. Renew and strengthen CWELCC agreements beyond 2026

Long-term operating certainty is essential for financing expansion projects, supporting workforce stability, and securing capital investment. Multi-year agreements are critical to maintaining affordability gains and ensuring the continued expansion of the Canada-wide system.

2. Immediately implement the promised federal child care expansion financing program

Budget 2024 announced:

- **\$1 billion in low-cost loans**, and
- **\$60 million in grants**

to support child care expansion projects.

This program has still not been implemented.

The program could be strategically targeted toward the expansion of child care within affordable housing and mixed-use developments under the aegis of the Canada Mortgage and Housing Corporation (CMHC), helping to integrate child care directly into growing communities.

3. Reinstate and significantly increase the federal Child Care Infrastructure Fund

A renewed Infrastructure Fund should prioritize rapid expansion through:

- renovation and retrofit projects,
- reopening previously closed rooms and centres,
- school-based expansion opportunities,
- modular construction,
- and conversion of existing community spaces.

This approach would allow governments to create spaces much more quickly and cost-effectively than relying solely on new construction.

4. Build a Canada-wide child care infrastructure financing system

Canada should treat child care expansion as essential social and economic infrastructure by developing long-term financing tools such as:

- federal low-interest loans,
- loan guarantees,
- social infrastructure bonds,
- municipal and community bond financing,
- Canada Infrastructure Bank partnerships,
- and CMHC-style financing models for child care facilities.

Canada has already developed sophisticated infrastructure financing tools in housing and other sectors. Similar approaches should now be adapted for child care expansion.

5. Prioritize non-profit and public expansion

Federal funding should continue prioritizing non-profit and public child care providers, where public investments remain permanently dedicated to community benefit, affordability, quality, and accountability.

Evidence from Quebec and elsewhere demonstrates that non-profit and public systems consistently deliver higher-quality care than for-profit models.

6. Support a national workforce strategy

Expansion cannot occur without a stable and adequately compensated workforce.

The federal government should work with provinces and territories to support:

- competitive wages,
- wage grids,
- recruitment and retention strategies for RECEs and ECEs,
- pension and benefit improvements,
- and long-term workforce planning.

Canada Has Built the Operating System — But Not the Expansion System

The CWELCC initiative has successfully addressed affordability. Across Canada, parent fees have fallen dramatically, and participation in regulated child care has increased.

But affordability without expansion creates a new problem: families cannot access spaces that do not exist.

Ontario alone has reported approximately 41,000 new spaces created toward a target of 86,000 by the end of 2026. Waitlists remain extremely high in many communities.

The challenge is not a lack of demand. It is that child care centres are difficult to finance under traditional market conditions.

Unlike private commercial developments, child care facilities:

- Operate under fee caps
- Depend heavily on labour costs
- Generate stable but modest surpluses
- Often lack collateral

- Are frequently developed by non-profit organizations

As a result, many projects are operationally viable but not conventionally financeable.

Non-Profit Operators Are Ready to Expand

B2C2's 2025 report, *Willing, But Not Able?*, surveyed 52 multi-site child care operators across Ontario. The findings were striking:

- 64% want to expand
- Another 25% are open to expansion
- 78% are likely or very likely to expand in the next five years
- 74% have already undertaken concrete expansion actions

However, over 70% reported significant barriers to expansion, including:

- Staff shortages
- Lack of secure operating funding
- Lack of capital grants or loans
- Lack of suitable community space

These findings suggest that the current expansion challenge is not primarily a lack of interest among providers. Rather, it reflects structural barriers in the way child care infrastructure is financed.

Lessons from Quebec

Canada already has extensive evidence regarding the risks of relying heavily on for-profit expansion.

Quebec — the country's most experienced universal child care jurisdiction — has repeatedly found that for-profit child care centres deliver significantly lower quality than non-profit programs.

In 2022, Quebec's Minister of Families stated:

“Allowing for the expansion of private daycares was the biggest mistake that the Quebec government committed in the last 25 years.”

Federal expansion funding should therefore continue prioritizing non-profit and public development.

Public investments in child care infrastructure should remain dedicated to children, families, and communities over generations — not diverted into private profit extraction.

Child Care Is Economic Infrastructure

Affordable child care is not simply a social program. It is a core economic growth strategy.

Research consistently shows that affordable child care:

- Increases labour force participation
- Supports women's employment
- Improves family income stability
- Strengthens local economies
- Generates long-term economic returns through child development outcomes

The landmark work of economists Michael Baker, Jonathan Gruber, and Kevin Milligan demonstrated that Quebec's child care system substantially increased women's labour force participation and generated significant additional tax revenues, offsetting much of the public cost of the system. Their research also identified broader improvements in family well-being and quality of life. Affordable child care is therefore not simply a social program — it is a proven economic development and workforce participation strategy.

The federal government has rightly recognized housing, transit, and clean energy as critical infrastructure priorities. Child care infrastructure should be treated similarly.

Without physical spaces, Canada cannot deliver the workforce participation and productivity gains that CWELCC was designed to achieve.

Existing Financing Tools Can Be Adapted Quickly

Canada does not need to invent entirely new financial systems.

Existing models already exist:

- CMHC financing tools
- Affordable housing loan programs
- Canada Infrastructure Bank financing
- Social finance and social bond mechanisms
- Municipal debenture structures

These tools can be adapted to support child care infrastructure expansion.

The federal government's role should be to:

- Reduce borrowing costs
- Aggregate projects
- De-risk lending
- Coordinate national expansion efforts
- Ensure equitable access across regions

Conclusion

Canada has made historic progress on child care affordability.

The next challenge is **expansion**.

Without sufficient infrastructure financing, Canada risks:

- Missing expansion targets
- Failing to reach \$10-a-day child care
- Prolonging waitlists
- Weakening public confidence in CWELCC

The solution is clear:

- Renew CWELCC
- Implement the promised federal expansion financing program
- Build a long-term child care infrastructure financing system
- Support non-profit expansion
- Invest in the workforce

Canada has made important strides in building an operating system for child care.

It must now build the infrastructure system needed to complete it.

Submitted by:

Susan Colley

Chair, Building Blocks for Child Care (B2C2)

Toronto, Ontario

www.b2c2.ca

suecolley@b2c2.ca

building blocks
for
child care



B2C2 recognizes that its work, and the work of its community partners takes place on traditional Indigenous territories across the province. We acknowledge that there are 46 treaties and other agreements, including unceded land, that cover the territory now called Ontario. We are thankful to be able to work and live in these territories. We are thankful to the First Nations, Metis and Inuit people who have cared for these territories since time immemorial and who continue to contribute to the strength of Ontario and to all communities across the province. B2C2 is honoured to collaborate with Indigenous child care providers, families and communities throughout the various territories. B2C2 also respects the calls for action of the Truth and Reconciliation Commission and their significance to early childhood education and policy. We share respect for the rights of, and Canada's obligations to, Indigenous peoples