



Working together for a community based, non-profit child care system that is high quality, affordable, accessible, publicly funded and accountable.

**Coalition of Child Care Advocates of BC
Submission to the BC Select Standing Committee
on Finance and Government Services
September 2007**

Introduction

We couldn't agree more with the Ministry of Finance's Budget Consultation Paper 2008 when it states that:

"When times are good, it is important to use the surplus in a way that looks to the future and generates benefits for years to come."

So this year, in our annual submission to BC's Budget Consultation, we aren't going to try and convince you that public resources should be invested in long term public services and assets. We all seem to agree on that now.

This year we are here to make 3 simple points

1. While child care has made a significant contribution to BC's revenues – **child care in BC is still being cut.**
2. While child care is essential to BC's economic and social well-being - **regulated child care in BC today is in crisis.**
3. While there are many worthwhile ways to use BC's surplus – **building a child care system that meets the needs of children, families and communities should be BC's next major project.**

Child Care generated revenue for BC but is still being cut

The Minister of Finance takes pride in asserting that she projects a \$1.1 billion surplus in 2008/09. If her past record is any indication, this estimate is likely low.

She attributes this surplus to a number of factors including increased federal transfer payments. What she and her government continue to ignore is that working families and child care providers of BC have paid part of the price to generate this surplus.

Let's review the record of child care's contribution to BC revenues.

In 2001, BC started to receive federal funds they could have used to improve child care. But, starting in 2002, BC cut \$50 million from its annual child care budget. These provincial dollars have never been replaced and families and child care providers have paid for the loss through higher child care fees and lower wages.

As a result of decades of community advocacy, by 2005/06 BC received \$122 million in federal transfer payments specifically for improving regulated child care services. In 2006/07, \$125 million came to BC from these transfers. Even with the cancellation of the Federal-Provincial Agreement on Early Learning and Child Care as of March 31, 2007, federal child care transfer payments still account for \$79 million in provincial revenue this year and next.

Given the significant contribution child care transfer payments make to BC revenues, one would assume it would be a top priority for the Minister of Finance and her government.

Wrong. BC was the only province not to speak out publicly against reduced federal transfers and the Finance Minister said the federal budget that cancelled this agreement met BC's needs.

So, given that BC didn't object to the loss of dedicated federal transfers, one would then assume that BC would protect children, families and child care providers from the loss.

Wrong again. BC was the only province to make further cuts to the limited operating funding that is provided directly to licensed caregivers across BC.

BC went even one step further and, without a public tendering process, spent \$95.6 million dollars, the remaining federal child care dollars on its books in 2006/07, on *one-time-only* grants that do not generate long term benefits.

How is it that child care, a major contributor to BC's federal transfer revenues, is the only service to face cuts in good times as well as bad?

Child care is essential to economic and social well-being but is in crisis

As everybody knows, BC has a labour shortage that is only getting worse. Birth rates are down and BC is now looking to immigration to try to meet workforce needs.

And, as a large body of research proves beyond a doubt, children's early years matter. Quality care promotes healthy childhood development and has long-term benefits. On the other hand, poor quality care does harm and costs us all more in the long term.

Given that, employers, families and communities all benefit from quality child care, one would assume that BC would have established targets and timelines for lowering fees, raising wages and creating more spaces.

Wrong yet again. BC has no child care plan, communities are at the end of their ability to 'make do' and things are getting worse.

For BC parents, particularly mothers, lack of access to affordable child care is still the biggest barrier they face in getting or staying in a job. Wait times for licensed care are years, not months, long.

And, this fall, BC parents and community members who operate child care services were left with no option but to raise fees to cover cuts imposed by the province. BC families now pay more for child care than for post-secondary education – if they can find it.

Quality licensed child care is also being eroded as qualified early childhood educators leave the field because wages are too low to support their own families. New recruits are reluctant to enter a field that is so underpaid and under valued. Increasingly, desperate parents have no choice but to use unlicensed or illegal care where quality, so critical to healthy childhood development, is unknown and unmonitored.

How is it that child care, which is essential to BC's short and long term economic and social well being is so ignored?

Building a child care system should be BC's next major project

According to the 2008 Budget Consultation, the 2008/09 Budget will focus on protecting our environment for future generations.

Perhaps we should warn our allies in the environmental movement that, based on our experience of the 2006 so called children's budget, they should start worrying now. The same could be said for seniors who supposedly had their needs met in 2005 and the homeless whose problems were apparently solved in the 2007 budget.

To date, public relations budget titles have promised much, delivered little and allowed government to move on as if the problem has been solved.

We are happy to share with the committee a number of ways in which community-based publicly funded child care contributes to BC's environmental sustainability. Community-based child care that is available in every neighbourhood reduces parents commuting distances and allows them to walk or use transit. Child care outdoor play areas add green space to communities. Child care that is constructed as part of other public facilities maximizes energy and building efficiencies. And, quality child care teaches young children about the importance of our environment.

But the reasons for making **child care system building BC's next major project** go beyond this. The arguments are not new.

- Investment in quality child care reaps strong economic returns. A pioneering Canadian cost benefit analysis conducted by Professors Cleveland and Krashinsky demonstrated a return of 2:1 for investment in a universal, quality child care system. Since that time, studies including some from the US show that if anything the 2:1 return is conservative. As the steward of BC's public resources, government should leap at an investment that offers returns like this.
- Investment in quality child care reaps strong social returns. Children who attend quality early childhood programs have better emotional, linguistic and health outcomes. Child care builds communities and promotes social cohesion.
- As recent headlines made clear, BC families have changed. Mothers of young children are in the labour force to stay

Given this evidence and BC's strong economy, one would assume that BC would be well on the way to building a child care system that meets the needs of children, families and communities. Most regrettably – this assumption is also wrong.

BC and Canada lag far behind other developed countries in responding with sound public policy and stable funding to address changing needs. BC has made no commitment to system building and has no plan for system building.

How is it that we are concerned about protecting the environment for a future generation that this government is not prepared to invest in?

Recommendation

Each year we appear before this committee, we are politely told that while our cause may be worthy – we are only one of many groups before you today asking for more funding. This response assumes that child care is already a developed, funded system like education, health or highways that – like all of these other systems – needs more resources to fully deliver on its accepted mandate.

Once again – this assumption is wrong. The fact is that child care is NOT yet a system. Rather, it is a patchwork of isolated services that depend on user fees, undervalued caregivers and community good will to keep their doors open.

In 2008/09 BC has an unprecedented opportunity to invest its surpluses in building a child care system. Once this system is in place, we will be happy to help make decisions about how best to allocate limited resources to improve all services to communities.

Until then, we have only one recommendation to make to this committee.

Building a quality, affordable child care system should be BC's next major project.

The good news is that BC has the fiscal ability to build a quality, affordable child care system for our children.

In a nutshell – here's how it can work:

Possible 5 year implementation of full system for children aged 1-12 (\$ Millions)						
	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
Incremental Cost (new \$)	400	800	1,200	1,600	2,000	6,000
<i>Less: minimum tax return increase in following year (40%)</i>	0	160	320	480	640	1,600
Net Incremental Cost	400	640	880	1,120	1,360	4,400
Surplus	1,600	750	830	*1,060	*1,060	5,300
Remaining Surplus (or draw down of forecast allowance)	1,200	110	-50	-60	-300	900

* Based on the average projected surplus in years 1-3

The estimated annual incremental cost to government of a quality universal child care system for children under 12 in BC is \$2.0 billion. This estimate assumes a mix of part-

time and full-time care in regulated homes and centres. Trained staff earn wages of approximately \$20 per hour plus benefits and parent fees average 20% of program costs. The estimate also reflects inclusion of children with additional support needs, as 10% of spaces are costed at twice the typical space cost.

Based on the experience in Quebec, the increased labour force attachment that results from a universal child care system returns 40% of the investment in tax revenues the following year. Therefore, the net annual incremental cost to government is \$1.2 billion (in year 6 and beyond).

Full implementation could be phased in over the next 5 years and, as shown in the table above, could be funded entirely through an extension of the projected and cumulative surpluses in the Ministry of Finance's current 3 year plan. Even in year 5, the total system investment can be accommodated within the projected surplus and BC's typical forecast allowance, or contingency, of over \$500 million.

The table above does not include the tremendous benefits to parents, children and communities – clearly demonstrated by overwhelming research and economic analysis - that will be leveraged and returned to our economy by investing this portion of BC's surplus.

The Coalition of Child Care Advocates of BC is confident that there is no better way for BC to invest in its present and its future.