

## CAPITAL EXPANSION

# Recommendations for Effective Expansion of Licensed Child Care Spaces in BC

The BC government is committed to creating 24,000<sup>1</sup> new licensed child care spaces by 2021. Consistent with \$10aDay Plan recommendations, government is encouraging partnerships with public partners (school districts, municipalities) to help achieve this goal.

However, government continues to rely on two expensive, risky, and unaccountable policies implemented by the previous government. First, current capital expansion relies on inviting applications from others (non-profit, for-profit, and public sector organizations) to independently create new spaces. This reactive approach does not allow government to achieve economies of scale or cost-effective investments in public infrastructure, nor does it ensure that spaces are created and maintained where the need is greatest.

Even more worrisome, BC is the only province in Canada providing significant capital funds to create new child care facilities owned by for-profit businesses. Significant public funds are going into the acquisition of private assets rather than into publicly-planned, owned and operated facilities.

These approaches undermine government's commitment to universal child care. The international evidence is clear. In countries with universal access to child care, the majority of services are publicly funded and delivered.

<sup>1</sup> 22,000 spaces through provincial funding, plus almost 2,000 spaces with federal funds.

## Recommendations to the BC Government

To address the urgent child care needs across BC today, make cost-effective use of public funds, reduce risks for the public, and increase accountability, government should adopt the following **two-part capital strategy**. Action on both elements should happen concurrently:

- 1 Develop a provincial child care capital budget, separate from the operating budget, and organize the related operational processes required for effective implementation once approved; and
- 2 Work with public partners to promptly begin adding custom-designed, high-quality, publicly-funded child care modular buildings to public property.

Successful implementation of this recommendation also requires government to:

- Move the child care capital program and functions from the Ministry of Children and Family Development (MCFD) to the Ministry of Education, integrating the capital planning work of both ministries. This is the first step in moving the child care branch to the Ministry of Education, as recommended in the \$10aDay Plan. It is essential because MCFD does not have a capital budget or related experience in planning, costing, and developing a province-wide, universal system of public services.

- Phase out the current program of reactive, one-off capital grants and proactively ensure that all public capital funding creates publicly-owned facilities.
- Complete a province-wide review of (1) existing child care spaces, to ensure maximum utilization, and (2) existing and planned public and community-owned facilities, to identify opportunities to add licensed child care.

## Rationale

The current approach to space creation does not ensure that public funds create publicly-owned assets available to meet community needs over the long term. This is expensive, risky, and unaccountable because:

- **It does not ensure that new spaces meet community needs and public priorities.** In the absence of detailed, comparable, community-driven child care plans — prepared using consistent methodologies — it is ineffective and inappropriate to rely on individual providers to assess and confirm that their capital expansion plans meet local child care needs.
- **Economies of scale are not realized, and public benefits are not quantified.** Providing one-off grants to individual organizations means each project goes through the development and start-up process on its own, without opportunities to share learnings and standardize policies and processes, order in bulk, or replicate new builds in ways that generate economies of scale. Furthermore, the public benefits associated with space creation — such as additional jobs in construction, equipment, and supplies — cannot be readily assessed and monitored.
- Funding child care capital projects through annual operating budgets as BC currently does **is more costly** than spreading those costs out over the useful life of the asset. Child care is public infrastructure, like schools, hospitals, and roads, and should be costed and managed similarly — through a separate capital budget.

BC's relatively low taxpayer-supported debt-to-GDP ratio provides room for additional capital investments in publicly-owned child care facilities. Furthermore, funding capital out of the child care operating budget distorts the \$10aDay costing model which, consistent with other public services, assumes a separate capital budget.

- Providing partial funding to for-profit operators to create new spaces, requiring them to raise additional capital funds on their own, **does not save taxpayers money** because the full cost of space creation still has to be funded. Currently, these additional capital costs are funded by families and educators, as operators with significant mortgages or lease costs generally charge higher parent fees and/or pay lower wages than providers in publicly-owned and subsidized facilities. As government increases public funding to operators to further reduce parent fees and increase educator wages, the burden of these capital costs will shift to taxpayers.

Moreover, for-profit operators often assume significant debt in order to contribute their share of capital costs. Along with that debt comes potential risk or potential reward if the value of their real estate changes. Neither of these outcomes is in the public interest, and both put long-term access to the child care spaces at risk.

Government has made significant progress on several child care priorities to date. Yet, its current approach to capital expansion in BC runs the risk of exacerbating rather than fixing the patchwork of fragmented child care services. Now is the time to make the capital expansion changes we have recommended<sup>2</sup> and summarized in this briefing note. This is the only way to ensure that children, women, families, communities, businesses, taxpayers and our economy all benefit from a systematic and publicly-funded, planned, and owned approach to expanding licensed child care spaces across BC.

<sup>2</sup> See, for example, our April 12, 2018 letter to Minister of State for Child Care Katrina Chen at <https://bit.ly/2HKjkQL>