

**MINISTRY OF CHILDREN AND FAMILY DEVELOPMENT  
DECISION NOTE**

**DATE:** May 21, 2021

**CLIFF#:** 255844

**PREPARED FOR:** The Honourable Katrina Chen, Minister of State for Child Care

**ISSUE:** Approach to for-profit space creation in Childcare BC Year 4 (2021/22) and beyond

**BACKGROUND:**

In September 2020, the Priorities and Accountabilities Cabinet Committee (P&A) approved the recommendation that by Year 10 of the Childcare BC plan, only public organizations, Indigenous governments, and non-profits would be eligible for provincial child care space creation funding. As a result, space creation grants would no longer be available to for-profit providers.<sup>1</sup>

This approach was recommended to P&A in order to:

- Ensure the investment of public space creation funding into non-profit and publicly-owned facilities;
- Further signal government's move away from market-based child care towards a universal, coordinated child care system;
- Recognize that as government moves towards a universal, publicly-funded, flat fee model of child care delivery, it may be cost prohibitive for for-profit providers to remain in the sector, making the creation of these spaces unviable in the medium-term; and
- Align with recommendations from the Provincial Child Care Council (PCCC) and the Coalition of Child Care Advocates of BC (CCCABC), who have long sought to end the provision of public funding to create for-profit capital assets.

Since that time, the Federal Government has announced the 2021/22 budget, including a commitment to build a Canada-wide, community-based system of quality child care. This commitment includes a focus on expanding non-profit (including public) child care spaces and a 50% reduction in average fees for regulated child care spaces by the end of 2022, building towards an average of \$10 a day for all regulated spaces in Canada by 2025-26.

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**DISCUSSION:**

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<sup>1</sup> With the exception of personal residence-based providers, who would continue to be eligible for Start-Up Grants to become licensed. Appendix A summarizes the September 2020 P&A decision.

## Summary of Operational Child Care & Space Creation

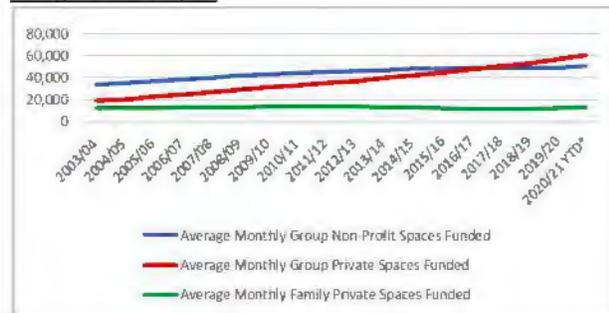
When considering operational child care broadly (Table 1), among operational CCOF and Prototype Site (PT) facilities in 2020/21,<sup>2</sup> 37% were run by for-profit group providers, which delivered 48% of the operational child care spaces. This means for-profit group child care providers make up the largest market-share of the child care sector in BC today.

**Table 1: Average Monthly Child Care Facility and Spaces by Child Care Provider Type, FY 2020/21**

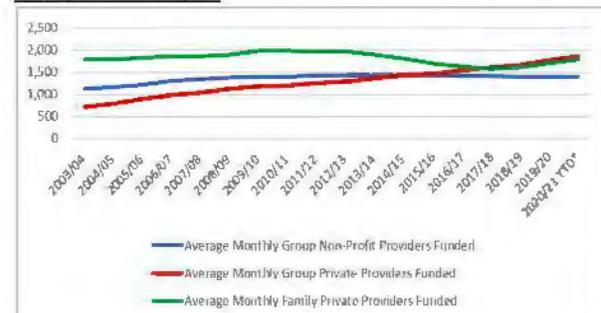
Child Care Provider Type	Facilities	%	Spaces	%
For-Profit Group	1,851	37%	60,968	48%
Non-Profit Group (includes public)	1,418	28%	52,234	41%
Family	1,774	35%	17,850	10%
<b>British Columbia</b>	<b>5,043</b>		<b>126,052</b>	

As shown in Figures 1 & 2, over the last three years, growth in the child care sector has been led by for-profit providers, with both the number of for-profit providers and the spaces they deliver outstripping not-for-profit and family providers starting in 2017/18.

**Figure 1: Average Monthly CCOF Spaces by Auspice, 2003/04 – 2020/21**



**Figure 2: Average Monthly CCOF Facilities by Auspice, 2003/04 – 2020/21**



Note: The CCOF data was extracted on 5 Jan 2021. The 2020/21YTD information were calculated using April to December 2020 data. Due to contract modifications and contract renewals, the 2020/21YTD CCOF figures are anticipated to increase in the remainder of the fiscal year. Average monthly Group and Family providers funded may not add up to average monthly all licensed providers funded due to rounding.

The ongoing growth among for-profit child care providers appears to be steady over the last 15 years. Starting in 2016/17 it appears not-for-profit/public space creation slowed and there may have been a slight acceleration of for-profit space creation. While only a small number of these providers have accessed New Space Funding grants, they all have opted to take advantage of one or more of the operation focused funding programs, including CCOF, CCFRI, ACCB and ECE wage enhancements. The uptake of these programs by for-profit providers indicates our current programs that offer funding for operational expenses highly benefits the for-profit business model, and are to date are not hindering for-profit space creation. In comparison, not-for-profit and public space creation appears to have levelled off.

<sup>2</sup> Does not include child care providers not enrolled in the CCOF or PT sites programs.

**Table 2** illustrates that in the first three years of the New Spaces Fund, 403 projects were funded representing over 18,000 spaces.<sup>3</sup> Of these, only 31.3% of projects representing 33.3% of spaces funded were for-profit projects. Many of these projects are still in development and are not yet operational, with a higher portion of for-profit provided spaces already operational. While the data in Table 2 is not directly comparable to the data in Figures 1 and 2, it is notable that the majority of not-for-profit/public projects funded by New Spaces Fund are not yet operational and would not yet be represented in the CCOF data.

Table 2: New Spaces Fund Funded Projects and Spaces (Years 1-3), by Child Care Provider Type

Provider Type	Projects Funded	Projects Operational	Spaces Funded	Spaces Operational
For-Profit	126 (31.3%)	64 (70.3%)	6,270 (33.3%)	2,846 (83.7%)
Public	201 (49.9%)	12 (13.2%)	9,747 (51.8%)	333 (9.8%)
Not-for-Profit	68 (16.9%)	12 (13.2%)	2,735 (14.5%)	200 (5.9%)
Family	8 (2.0%)	3 (3.3%)	58 (0.3%)	22 (0.6%)
<b>TOTAL</b>	<b>403</b>	<b>91</b>	<b>18,810</b>	<b>3,401</b>

Decision Required: Should BC stop or reduce space creation funding to for-profit space creation starting in 2021/22:

The decision to discontinue or reduce business/corporation eligibility to create privately owned child care facilities through the New Spaces Fund is distinct from, and does not impact, for-profit provider eligibility for operating funding.

For-profit providers will remain eligible for operating funding (provided that they opt-into the universal child care system), which will continue to support both current and expanded for-profit child care operations. Continued access to operating funding may encourage for-profit providers to create new child care spaces, regardless of the availability of space creation funding.

Eliminating or reducing space creation funding to create privately owned child care facilities may not significantly change the future growth of the for-profit child care sector given that the majority of new for-profit child care spaces did not receive space creation funding. Rather, the growth among for-profit providers may be most influenced by access to the operation funding programs.

However, discontinuing funding for privately owned capital projects would indicate Government's commitment to funding the growth of facilities owned by public and non-profit entities, which may best support public and not-for-profit providers, in alignment with the Federal child care plan, advice from PCCC and advocates, and most other Canadian jurisdictions (Appendix B). The resultant funds can in turn be spent on supporting expanding new public and not-for-profit child care spaces.

Notably, 2020/21 CCOF data shows that for-profit child care providers charge higher parent fees (Table 3) and pay their staff less<sup>4</sup> than the not-for-profit and public child care providers. Therefore, supporting expansion of public and not-for-profit child care providers also supports

<sup>3</sup> Numbers include Rapid Renovation Fund spaces, but do not include the MOU with the City of Vancouver.

<sup>4</sup> CCOF data shows median hourly wages were 8% higher for staff at non-profit facilities than for those at private facilities in 2020/21.

growth of child care that charge more affordable fees to families and better support the workforce.

Table 3: CCOF Facility Median Fees (2020/21), by Provider Type and Care Type

Provider Type	For-Profit	Non-Profit	Family
Group Infant	\$1,350	\$1,200	\$1,000
Group Toddler	\$1,260	\$1,075	\$950
Group 3 to 5	\$950	\$900	\$900

Notes: New CCOF facilities are defined as those that were not a part of the CCOF program in 2019/20; All parent fees are before the Child Care Fee Reduction Initiative (CCFRI) fee reduction; Data is as of 1 Mar 2020; Data Source: CCOF database and 2020/21 Provider Profile Survey

It is unknown what impacts the COVID-19 pandemic might have on applications for, and realization of, space creation. For-profit space creation projects tend to have lower up-front costs and tend to be renovations, which are realized more quickly than other projects. Incentivizing the creation of these spaces may contribute to economic recovery in the short-term.

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**OPTIONS:**

**Option 1: (Recommended)** Discontinue for-profit eligibility (privately owned facility development) for the New Spaces Fund . Do not create any additional incentive programs.

*Pros:*

- For-profit space creation is trending upward indicating that funding space creation will further enable the disproportionate grow of this portion of the sector
- Immediately delivers on the P&A direction to discontinue funding for-profit capital projects by Year 10.
- Aligns with federal direction and the approach of most other Canadian jurisdictions.
- Immediately discontinues spending public funds on private for-profit assets, in alignment with recommendations from advocates and PCCC.
- Stops directly funding the expansion of for-profit child care and immediately shifts and prioritizes space creation funding towards public/not-for-profit space creation projects.

- For-profit providers would continue to be eligible for operating funding programs (CCOF, CCFRI, ECE-WE, ACCB) and in-home for-profit providers (including licensed family, in-home multi-age, group, and group multi-age programs) would continue to be funded through Start-Up Grants.

*Cons:*

- For-profit providers and opposition will likely object to this policy change, but it will be supported by advocates and the PCCC.
- COVID-19: For-profit space creation may contribute to economic recovery in the short term; however, these investments may have a lower long-term return on investment and poorer alignment to a universal child care system and economic recovery due to higher parent fees and lower staff wages.

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**RECOMMENDATION:**

**Option 1:** Discontinue for-profit eligibility for the New Spaces Fund. Do not create any additional incentive programs.

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June 17, 2021

**DECISION and SIGNATURE**

**DATE SIGNED**

Hon. Katrina Chen  
Minister of State for Child Care

**Attachments:**

- A. Priorities and Accountabilities Submission Recommended Options, September 2020
- B. Cross-Jurisdictional Scan of Capital Funding Eligibility by Applicant Type
- C. Overview of Potential Incentive Program Structures

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**A. Priorities and Accountabilities Submission Recommended Options, September 2020**

Decision Point	Recommended Option
<p><u>Decision 1:</u> What should the governance and service delivery model look like in BC?</p>	<p>s.13</p>
<p><u>Decision 2:</u> Who should be eligible to receive public funds for building new child care spaces by Year 10 of Childcare BC?</p>	
<p><u>Decision 3:</u> How much should families pay for child care by Year 10 of Childcare BC?</p>	
<p><u>Decision 4:</u> Who should be eligible to receive public funds for operating existing/new child care by Year 10 of Childcare BC?</p>	

**B. Cross-Jurisdictional Scan of Capital Funding Eligibility by Applicant Type**

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