



## Financial Fact Sheet Early Learning and Child Care Research Unit January 2007 Summary of BC Child Care Program Funding Reductions

On January 5 2007 the BC government announced a series of child care funding reductions that will be implemented through October 2007. The federal government's termination of the bilateral agreements on Early Learning and Child Care was given as the rationale for the cutbacks. The province confirmed that existing commitments for child care subsidies and the Supported Child Development program (for children with additional support needs) will be maintained on an ongoing basis, but funding for:

- Child Care Resource and Referral will be reduced by 77%
- Grants that help offset operating costs for licensed family and centre-based programs providing services for children under six will be reduced by 27% (effective July 2007 through March 2008)

Furthermore, Minister Reid pointed out in her January 5 2007 letter to the child care community (see <http://www.mcf.gov.bc.ca/childcare/> for full details) that, pending "clarity around Ottawa's Child Care Spaces Initiative":

- Major capital grants for new licensed spaces will not be available
- Operating funds for new licensed spaces will be subject to a "program intake cap"

This fact sheet summarizes the trends in public financing for child care in BC, within the context of BC's overall financial position, in order to support fact-based discussion within and between community and government and, ultimately, effective public policy. The figures and related notes (which are integral to the analysis) are drawn directly or calculated from public information provided by governments<sup>1</sup>. In summary, the financial analysis shows that:

1. BC's Budget 2006 and the 3-year MCFD fiscal plan for child care funding enhancements through 2008/09 relied heavily on federal transfers (up to \$198 million annually) under the bilateral agreements, as provincial funding for child care remains at \$190 million (\$50 million less than in 2001/02). Over \$100 million in confirmed federal transfers for the current year have not been allocated to ongoing child care program budgets and full public expenditure details are not readily available for these funds. (see *Table 1*)
2. Moving forward, if the previous provincial and/or planned federal funding reductions are not restored by 2008/09, BC's total child care program budget will be 21% less than it was in 2001/02 and further reductions in grants to offset operating costs should be anticipated. On the other hand, if all of the federal and provincial funding reductions are restored, BC's child care programs could be stabilized and enhanced with a budget that is 83% higher than it was in 2001/02. (see *Table 2*)
3. BC's overall budget surplus, which has improved by over 200% since the 2001/02 deficit, shows that both federal and provincial funding reductions for child care programs could be restored and accommodated within government's contingency funds, without impacting the net anticipated future surpluses for the province. Furthermore, BC can afford to build a flexible, high quality, universal system of child care services. Over the next five years, BC could phase in the required net incremental investment of \$1.2 billion annually, and begin to realize the widely projected 2:1 economic returns. (see *Table 3*)

<sup>1</sup>Given multiple information sources, figures have generally been cross-reconciled to within \$5 million; minor rounding differences may occur.

Table 1 – An overview of BC’s actual and planned child care expenditures, detailing both the federal (note 1) and provincial (note 2) funding contributions

TABLE 1 (\$ millions)	2001/02 actual	change	2006/07 budget	change	2007/08 projected	change	2008/09 projected	% change 01/02 - 08/09	notes
<b>BC Child Care Funding:</b>									
<b>Total per BC Budget 2006 &amp; Fiscal Plan</b>			<b>388</b>	12	<b>400</b>	0	<b>400</b>		
<i>Less: Estimated Administrative Costs</i>			-11	-1	-12	0	-12		
<b>Child Care Program Funding in BC Budget 2006 &amp; Fiscal Plan</b>	<b>240</b>	<b>137</b>	<b>377</b>	<b>11</b>	<b>388</b>	<b>0</b>	<b>388</b>		
<i>Less: Federal transfers confirmed but not allocated to child care programs</i>	0	-104	-104	104	0	0	0		1,3
<i>Less: Federal transfers “under negotiation”/ terminated</i>	0	0	0	-152	-152	-46	-198		1
<b>Total Confirmed Child Care Program Budget</b>	<b>240</b>	<b>33</b>	<b>273</b>	<b>-37</b>	<b>236</b>	<b>-46</b>	<b>190</b>		
<i>Less: Confirmed federal transfers allocated to child care programs</i>	0	-83	-83	37	-46	46	0		1
<b>Confirmed Provincial Contribution to Child Care Programs</b>	<b>240</b>	<b>-50</b>	<b>190</b>	<b>0</b>	<b>190</b>	<b>0</b>	<b>190</b>	<b>-21%</b>	<b>2</b>

#### Notes to Table 1

1. Federal transfers under the Bilateral Agreement on Early Learning and Child Care (ELCC) are confirmed for BC’s current (2006/07) budget year and under the Multilateral Framework on ELCC through the next (2007/08) budget year. However, at this point no federal child care transfers are confirmed for 2008/09. BC Budget 2006 and 3-year Fiscal Plan for child care within MCFD includes federal transfers under the Bilateral Agreement in both 2007/08 and 2008/09, although they are identified as at risk (“under negotiation”).
2. Beginning in 2002, the BC government implemented a series of provincial funding reductions to child care programs, eventually reducing its contribution by \$50 million annually. Subsequent child care budget increases have been funded through federal transfers.
3. While BC Budget 2006 provides \$377 million for child care programs in 2006/07, only about \$273 million has actually been allocated to ongoing child care programs (see Table 2). Full details are not readily available on how the approximately \$104 million in remaining funds will be spent, although Minister Reid’s letter indicates that \$40 million “will be made available to current CCOF funded providers to allow for quality improvement investments in, for example, professional development, minor capital improvements, equipment or supplies. Details about how this funding will be distributed will be communicated in the near future”. Also, Child Care Resource and Referral programs across the province are being asked to provide estimated closure costs. It may be the case that these termination costs will be funded from the unallocated federal child care transfers as well.

Table 2 – Details on the individual child care programs funded in BC (notes 4, 5, 6). This table highlights the potential impacts on child care programs with and without the restoration of provincial and federal funding reductions.

TABLE 2 (\$ millions)	2001/02 actual	change	2006/07 budget	change	2007/08 projected	change	2008/09 projected	% change 01/02 - 08/09	notes
<b>BC Child Care Program Details</b>									
<i>Programs with Reasonably Confirmed Funding to 2008/09</i>									
<b>Subsidy</b> (for lower income families)	125	8	133	-7	126	0	126		4
<b>Supported Child Development</b> (additional supports for children)	37	16	53	0	53	0	53		4
<b>Capital Funds</b> (for new/improved community-owned spaces)	2	6	8	-7	1	0	1		4
<b>Resource &amp; Referral</b> (info & support for families & caregivers)	13	1	14	-8	6	-3	3	-77%	5
<b>Total Programs with Confirmed Funding</b>	177	30	208	-22	185	-3	182		
<i>Amount remaining for Operating Funds (licensed family &amp; centre-based)</i>	63	3	66	-15	51	-43	8	-87%	6
<b>Total Confirmed Child Care Program Budget</b>	<b>240</b>	<b>33</b>	<b>273</b>	<b>-37</b>	<b>236</b>	<b>-46</b>	<b>190</b>	<b>-21%</b>	
<i>Add: restoration of cutbacks</i>									
<i>Provincial</i>	0	0	0	50	50	0	50		
<i>Federal</i>	0	0	0	152	152	46	198		
<b>Potential Child Care Program Funding, with Cutbacks Restored</b>	<b>240</b>	<b>33</b>	<b>273</b>	<b>165</b>	<b>438</b>	<b>0</b>	<b>438</b>	<b>83%</b>	

#### Notes to Table 2

4. Minister Reid's January 5 2007 letter indicates that recent enhancements to child care subsidy and Supported Child Development will be maintained on an ongoing basis, and that provincial minor capital funding will be continued (maximum \$1 million assumed). In this table, figures for 2001/02 are taken from public reports; from 2006/07 and 2007/08 from MCFD staff and/or Minister Reid's letter; from 2008/09, direct or estimated implications from Minister Reid's letter.
5. Child Care Resource and Referral (CCRR) programs have been advised by MCFD staff that the current funding level of \$14 million annually (2006/07) will be reduced to \$9 million annually effective April 1 2007 and \$3 million annually effective October 1 2007, by which time a new process for obtaining, funding and operating these functions will be in place. Therefore the 2007/08 projected budget reflects (6 months x \$9 million) + (6 months x \$3 million) = \$4.5m + \$1.5 m = \$6 million.
6. The July 1 2007 reductions to the Child Care Operating Fund (CCOF) referenced in Minister Reid's letter will be in place through March 31 2008. The 2007/08 figure reflects an estimated, overall 22% reduction from the 2006/07 CCOF budget, slightly less than the 27% rate reductions announced because the reductions start mid-year, and because school age rates are not affected. In 2008/09, the CCOF estimate is derived from the fact that all of the confirmed funding has already been committed to other programs, leaving \$8 million in confirmed funding available for CCOF – a reduction of 87% from the relevant predecessor program funding in 2001/02.

Table 3 – A summary of BC's actual and projected financial position, showing that: continuing budget surpluses are anticipated (note 7); restoration of both federal and provincial cutbacks can be accommodated within BC's contingency funds (note 8); BC can afford to build a flexible, high quality, universal child care system (note 9).

TABLE 3 (\$ millions)	2001/02 actual	change	2006/07 budget	change	2007/08 projected	change	2008/09 projected	% change 01/02 - 08/09	notes
<b>Preliminary Overall BC Surplus per BC's 2006 Fiscal Updates</b>			2,700	-850	1,850	-25	1,825		<b>7</b>
<i>Less: Allowance for 'Risks and Pressures'</i>									
<i>Federal Transfers "under negotiation" in BC Budget 2006</i>			0	-152	-152	-46	-198		<b>8</b>
<i>Restoration of provincial child care funding</i>			0	-50	-50	0	-50		<b>8</b>
<i>Other risks and pressures</i>			-550	202	-348	196	-152		
<i>Total Contingency</i>			-550	0	-550	150	-400		<b>7</b>
<b>Total BC Surplus/(Deficit) per Fiscal Updates</b>	<b>-1,233</b>	<b>3,383</b>	<b>2,150</b>	<b>-850</b>	<b>1,300</b>	<b>125</b>	<b>1,425</b>	<b>216%</b>	<b>7</b>
<i>Less: Child care system-building (major project totaling \$1.2 billion by year 5)</i>	0	0	0	-250	-250	-250	-500		<b>9</b>
<b>Potential Revised Surplus</b>	<b>-1,233</b>	<b>3,383</b>	<b>2,150</b>	<b>-1,100</b>	<b>1,050</b>	<b>-125</b>	<b>925</b>	<b>175%</b>	

### Notes to Table 3

7. Figures for 2001/02 from BC's Summary Financial Statements; 2006/07 from November 30 2006 fiscal update; and 2007/08, 2008/09 figures from the September 30 2006 fiscal update. The November 30 2006 fiscal update shows that the projected surplus for 2006/07 has risen from \$600 million in the original Budget 2006 to almost \$2.2 billion. Analysts speaking at the Vancouver Board of Trade's annual economic outlook forum on January 10 2007 indicate that BC "will enjoy its sixth consecutive year of solid economic growth in 2007" and that "in Canada, governments are in phenomenal fiscal shape" (Vancouver Sun, C1, January 11 2007).
8. Three year financial projections included in Budget 2006 (published Feb/06) and subsequent updates include an allowance for the risk that forecasted revenues may not materialize and/or unforeseen pressures on expenses arise. While the forecast allowance does not identify specific programs, this table shows that it can accommodate increased provincial funding for child care both to restore the original provincial cutbacks and to replace the now-terminated federal transfers for ELCC (flagged as 'under negotiation' when included in MCFD's Budget 2006 and 3-year fiscal plan).
9. The estimated net incremental annual cost of a high quality, universal, affordable child care system in BC is \$1.2 billion. This estimate assumes a combination of part-time and full-time care in family and centre-based settings. While such an investment can be accommodated within current surplus projections, this analysis assumes that such a major project is phased-in over five years, at a rate of \$250 million per year.

To learn more about HELP and the Early Learning and Child Care Research Unit, and the research, policy analysis, and work in communities that supports this fact sheet, please visit our web site at [www.earlylearning.ubc.ca](http://www.earlylearning.ubc.ca) or contact us at (604) 822-1278 or [earlylearning@ubc.ca](mailto:earlylearning@ubc.ca)