firstcall BC CHILD AND YOUTH ADVOCACY COALITION

Framing the Issues

A Backgrounder concerning the Ministry of Children and Family Development's Child Care Major Capital Funding Program

Introduction

Early Childhood Development Roundtable (ECDRT) participants have been concerned for some time about the increase in commercial child care in BC. We support the recommendation made in the recent Coalition of Child Care Advocates' (CCCABC) letter to Premier Clark – that the Ministry of Children and Family Development (MCFD) should stop providing capital funds to for-profit commercial child care and limit the availability of capital funding to non-profit societies in good standing. This would be in keeping with all other provinces and territories in Canada except New Brunswick, which provides a set amount to either for-profit or non-profit (see appendix).

It should be noted that the ECDRT recognizes the role of **existing** for-profit providers in the provision of child care in BC and in fact the $10aDay child care plan, which First Call supports, welcomes them as long as they are willing to commit to the same very basic accountability measures that non-profits do. This is why the Plan has endorsements from independent (for-profit) providers including those who provide regulated family child care. It is our position that commercial services unwilling to agree to accountability measures may establish services **but not with public funding**.

When Minister Cadieux responded to the CCCABC's letter on behalf of the premier she avoided the term *for-profit*, substituting the term *private* instead. This suggests a lack of knowledge about the sector because all child care services in BC are privately operated; some as non-profit societies and others as for-profit enterprises ranging from small proprietorships (family child care homes and stand-alone child care centres or preschools) to large commercial chains. The minister's letter also put all these business models on the same footing. In fact, her letter even suggested that non-profit organizations have an advantage because they have "the ability to solicit charitable donations from the public." Among other misunderstandings this incorrectly assumes that all non-profit societies are registered charities.

The minister's response to a CCCABC letter amplified ECDRT concerns so we requested a face-to-face meeting with her. She was unavailable but representatives of the ECDRT met by conference call with MCFD officials on May 26, 2016 and conveyed the following **two main messages**:

1. The policy and practice behind the Major Capital Funding Program is flawed and needs to be fixed before it becomes an embarrassment for government. This is demonstrated through reports from the community – all but one of which are related to the funding of the commercial sector.
2. Future capital funding should be directed only to the non-profit and/or public sector.

Some consequences of the flawed policy and practice behind the Major Capital Funding Program as reported by the community

(*Note: At the October 2015 ECDRT meeting there was an in-camera discussion about the capital funding program. Individuals from across the province joined the meeting by phone specifically for this part of the agenda and provided examples of the consequences arising from the distribution (or not) of the capital funds. Since then many more reports have been received by First Call. The following is based on those reports.)*

- ***Absence of, but need for, community consultation:*** Many concerns have been voiced about decisions being made in Victoria without proper consultation with local authorities: local tables, CCRRs, licensing authorities and other community providers. This has resulted in some poor funding decisions. New child care facilities have been established in the wrong places (e.g., areas of the community with few children); in locations that are already well served, putting surrounding established centres in financial jeopardy; for the age group *not* identified by community tables as a priority. Respondents stated the most disappointing aspect of the child care capital grants program has been that MCFD ignored expressed concerns to the detriment of other services providers and to families. The result in some locations has been:

- Oversupply of child care spaces
- Increased average cost of child care
- Reduced average quality of child care
- Unfair competitive advantage for one provider at the expense of others
- Reduction in the quality and availability of child care services for children with special needs
- Worsened shortage of ECE workers

Examples received from Terrace, Prince George, North Okanagan and Surrey.

- ***Human resource issues:*** Capital funding recipients are not required to ensure early childhood educators (ECEs) are fairly paid – that is, if and when recipients of capital grants can find ECEs to hire. Many reported new commercial services operate with below-average wages and heightened use of casual/on-call help. Some new programs haven't opened all their new spaces due to a lack of staff. In other cases, child care licensing has allowed variances from regulation to permit agencies to operate without qualified staff. The practice of allowing variances has increased throughout the province and communities are concerned about the effect on quality and outcomes for children. One respondent explained that the College of New Caledonia will have 10 new graduates from their ECE program this year. Maybe eight of those will stay in Prince George. How will the 81+ new child care spaces that will be coming on stream be staffed? Some say by poaching ECEs from other community programs and/or through variances. Respondents said it would have been very easy to predict this problem. MCFD was told about it well before they approved the latest capital funding. *Examples received from Terrace, Prince George, North Okanagan and Surrey.*

- ***High fees:*** The MCFD Child Care Major Capital Funding Program is escalating the growth of an already two-tiered child care system – one tier for those who can afford regulated child care and the other for those who can't. Capital funding is not tied to the provision of an affordable service and new facilities are charging fees at the top of community fee scales making services inaccessible to low and moderate income families***.*** Because their services are too expensive new facilities often aren't able to fill spaces. One nationwide commercial chain with very high fees was granted capital funding to open two centres within blocks of each other in an area of Surrey where families are currently struggling to find affordable child care. Both centres have vacancies and high fees are probably the reason.

	Full time monthly fee at the commercial chain referenced above	**Max parent Subsidy**	**Out of pocket parent fee**
Infant <18 months	$1655	$750	$905
Toddler >18 <3	$1655	$635	$865
Preschooler >3	$1500	$550	$950

$250,000 in capital funding was awarded to one of these facilities in June 2015 *just one month before its grand opening*. Clearly it could afford to build a new facility without the assurance of a capital grant but as the table below shows it would be out of reach for subsidized and other moderate income families.
Examples of high fees in new (predominantly commercial) facilities have been reported from Terrace, Prince George, North Okanagan, Surrey and Abbotsford.

Note: Affordability must be addressed but increasing subsidy will not solve this problem. Not only is the gap too large between the fees charged and maximum available subsidy but the evidence is that subsidy increases stimulate fee increases, consequently parents who pay the difference between their subsidy rate and the actual cost of care are no better off when subsidy is increased and parents who don't receive a subsidy are worse off.

- ***New services are NOT inclusive:*** New child care centres are not accepting children with extra support needs as there has been no concurrent increase to Supported Child Development/Aboriginal Supported Child Development (SCD/ASCD) funding. SCD/ASCD programs funds are attached to each child and separate from child care space funding. This only promotes inclusivity when resources for those programs are adequate.

  Throughout the province many children who should have one-to-one workers don't. Either they have no support at all or SCD/ASCD consultants are working with multiple children within a child care setting. This makes new providers very reluctant to enroll/include these children.

- ***Matters negatively affecting quality:*** The research literature is clear that a stable and well-remunerated workforce is key to quality outcomes for children yet there are reports of high turnover rates in new and existing commercial chains. It has also been reported that early childhood educators (ECEs) are leaving these chains due to poor wages, centre philosophy and management direction that they (ECEs) are uncomfortable with.

  Well-sourced rumour has it that commercial child care chains and other for-profit providers are lobbying the provincial regulation reviewers to reduce regulations such as those affecting outdoor play spaces, staff credentials and other matters that they feel affect their "bottom line."

  Some groups have indicated that the for-profit centres in their communities do not participate in, or even welcome, collaborative efforts. *This stands in direct contradiction to government's objectives in the Early Years Strategy.*

Analysis of the Major Capital Funding disbursed by MCFD from November 2014 to June 2015

An ECD Roundtable volunteer has been tracking capital grants. Excel spreadsheets list all recipients (non-profit and commercial) by location, amount received, spaces to be built, ages to be served, cost per space. For the commercial recipients tracking also includes incorporation dates; how big/small a chain they are; whether they are a franchisee or independent; if they received the grant after they were built; whether they are operating yet and, if so, is the service they were to be funded for being provided; fees if available. Tracking results validate community reports. Some observations:

- Eight of the 15 November 2014 grants to commercial providers went to newly incorporated companies. Some actually incorporated after they received the capital grant. This questions expertise in the delivery of quality child care and raises other concerns.

- Some new incorporations are existing providers that have a chain of centres but incorporate each of them separately to avoid human resource and tax issues.

- Some new incorporations are franchisees and operate under that brand.

- Quite a few of the commercial recipients seem to be operating their "learning centres" out of strip malls with limited outdoor play access. Others operate at or near busy roads and highway intersections which raises questions about air quality impacts on the children. It should also be noted that many of these same providers avoid the use of the word "child care" but promote themselves as "schools" and "junior kindergartens." These "brands" market themselves by promoting the false notion that preschool children need academic training to be ready for school. This contradicts the considerable amount of research that demonstrates that children nurtured on a play-based curriculum perform better.

- Some commercial chains that have received capital funding are clearly more than capable of financing their own expansion. In fact, in some cases capital funding was "gravy," funds granted after a facility had been renovated or built and as noted earlier in at least one case already operating.

- Some services are not providing care for the age group that the Ministry announcement suggested – perhaps because they realized that they can't make ends meet – and definitely not profit if they provide infant/toddler care.

- There is no guarantee that the funds received by commercial chains won't be used to buy private assets or generate profits for shareholders. There is one (unverified) report that a commercial operator purchased a $100,000 indoor gym which has been erected in the vacant school in which she operates her child care centre and she rents the gym out to another organization. Due diligence should be undertaken not only prior to granting capital funds but also after to ensure that the public's money has been used for the intended purpose.

Recommendations for the Ministry of Children and Families to consider

- Align capital funding for child care with the Ministry of Education's approach to capital funding for schools; recipient schools must be operated on a non-profit basis and most independent schools are. *(When the premier was Minister of Education, she was asked why for-profit schools were not eligible for the operating grants that independent non-profit schools receive. She answered, logically, "Because they are for-profit".)*
- Align capital funding with the approach taken in the rest of Canada. With the exception of New Brunswick, where capital grant funding for child care is available it is only offered to non-profit and public services.
- Link capital grants/expansion of spaces to additional SDC and ASCDP funding so that there is equal access for all children regardless of the supports required. In fact, additional funding is currently needed to support children and youth with special needs to access *existing* child care spaces in BC.
- Develop clear expectations and reporting requirements for grant recipients and apply due diligence in reviewing both grant applications and post funding outcomes. For example, confirm need, appropriateness of location, child care expertise etc. with local authorities, planning tables, etc. *before* granting funds and that funds have been used for the stated purpose once a facility has been established.
- Until MCFD ceases to fund privately-owned assets, consider adding conditions to the grant requirements. There is a rationale for different requirements between commercial and non-profit because the inherent accountability is different: commercial to owners/shareholders; non-profit to community.

The Early Childhood Development Roundtable strongly urges the Government of BC to rethink its promotion of for-profit child care and restrict capital funding to the non-profit/public sector. It is in the public interest and would respect the public purse.

AN ABUNDANCE OF RESEARCH AND EVIDENCE FROM BOTH CANADIAN AND INTERNATIONAL SOURCES SHOWS WHY BC SHOULD RECONSIDER ITS POLICY OF FUNDING COMMERCIAL FOR PROFIT CHILD CARE SERVICES. Here is just a smattering.

- In Australia, the unchecked growth of the commercial sector has dramatically increased **both government expenditures and parent fees**. This is well documented. *"The Australian revealed yesterday (June 1, 2016) that the average cost of childcare for each child is now $90 a day across the country and $200 a day for places in CBD centres."* http://www.theaustralian.com.au/federal-election-2016/federal-election-2016-childcare-costs-a-key-issue-for-voters/news-story/07a7eae451ccc64b3d3a2e197331c69a
- Overall, countries that have a visible presence of commercial child care (U.S., U.K., Australia) provide more public funding than Canada but still have weak outcomes for child care quality and, in particular, affordability and access.
- The pressure to turn a profit for investors and owners inevitably results in downward pressure on staff wages and working conditions as well as demands for less regulation, all of which compromise quality of services. We are witnessing this in BC through reported lobbying by the for-profit sector for regulations to be more "friendly" to the bottom line by reducing staff credentials and relaxing the outdoor play area requirements.
- For-profit child care tends to be poorer quality -- a fact repeatedly documented in Canadian, Quebec, New Zealand, U.K., U.S. and Australian research. Research shows ownership is one key factor determining higher or lower quality through its links to wages, working conditions, early-childhood education training, staff turnover and morale, staff harshness and sensitivity, staff-to-child ratios and group size. (Statement from http://www.childcarecanada.org/documents/child-care-news/14/12/child-care-shouldnt-be-profit)
- In the USA staff departure rates (turnover) are the highest in for-profit child care centre chains, where they reach, on average, just over 30 percent (per annum). https://thesocietypages.org/ccf/2015/04/15/child-care-early-education/Council on Contemporary Families
- "*Childcare center administrators and, for the most part, childcare center teaching staff employed by non-profits have more formal education, early childhood education training, and childcare experience than employees in the for-profit sector." From American research sources.* (Gelles, 2000; Helburn, 1995; Kagan, 1991; Kagan & Newton, 1989; Sosinsky et al., 2007).
- *"In Australia, …, Sumsion (2006: 99) asks whether support for continued expansion of corporate childcare chains is ethically justifiable, while a secondary analysis of longitudinal US data has confirmed quality repercussions of provider status, with private for-profit chains scoring lowest overall (Sosinsky et al., 2007). According to a Canadian study (Cleveland et al., 2007), standards in not-for-profit … are higher by about 15 per cent than in the for-profit sector, while in the UK several studies provide critical evidence of the very mixed performance on quality by the UK private for-profit childcare sector* (La Valle et al., 2007; Mather et al., 2007)."
- *A large body of research identifies that the most significant factor in the quality of care provision for young children is unequivocally the early childhood staff qualifications and training. (*Barnett W. S., 2008; Belsky, Burchinal, McCartney, Lowe Vandell, Clarke-Stewart, & Tresch Owen, 2007; Best Start Expert Panel on Early Learning, 2006; Best Start Expert Panel on Quality and Human Resources, 2007; European Commission, Directorate-General for Education and Culture, 2011; Ishimine, Taylor, & Bennett, 2010)
- For-profit commercial child care is associated with high parent fees and limited access both in British Columbia and elsewhere.
- Commercial chains consistently choose to establish their services in affluent areas and avoid services to children with complex needs. They may also establish in affluent areas for real estate reasons. Jeffrey Olin, president and CEO of Vison Capital and chairman of the board of BrightPath Early Learning Inc. (previously Edleun) when describing child care in late 2010 said that it is *"One of the few **real estate sectors** where demand is well in excess of supply."*

Appendix

Capital funding for child care in Canada

Newfoundland and Labrador	No capital funding
Prince Edward Island	No capital funding
Nova Scotia	No capital funding
New Brunswick	*Both non-profit and **for-profit eligible** to apply for one time funding Capital funding and start-up funding provided through the Early Learning and Child Care Trust Fund:* For new infant child care spaces: • Day care centres and community day care homes (a minimum of three spaces must be created at $2,500 per space) For new spaces in rural New Brunswick local service districts and villages: • Day care centres (minimum of five spaces must be created at $5,000/space • Community day care homes (minimum of three spaces must be created) For new extended hours spaces for shift workers: • Day care centres (minimum of eight spaces must be created) • Community day care homes (minimum of five spaces must be created)
Quebec	Only non-profits are eligible for capital funding.
Ontario	School-based child care capital funding is provided to school boards to retrofit existing child care spaces previously serving four and five year olds (now in kindergarten full school-day) to serve children 0-3.8 years of age. The policy also applies to school space not needed for educational purposes and where a school board and the municipality want to convert the space to child care for children 3.8 years and younger. There are two categories: • Schools First Child Care Capital Retrofit Policy that *supports non-profit operators* in schools to retrofit *as well as for-profit operators that have **existing** agreements*. School boards must develop local capital retrofit plans in partnership with municipal Service System Managers and plans must be approved by both the school boards and municipal manager for child care. • The Capital Funding for New Construction of Child Care policy provides $120 million over three years to increase access to school-based child care for children ages 0 to 3.8 years. Similar to the Child Care Capital Retrofit plans, school boards must submit jointly approved (with municipal Service System Managers) project proposals to the ministry. *This fund is to build net new spaces and create opportunities for relocation of community-based programs to schools.*
Manitoba	*Only non-profit child care services* are eligible for base (unit) or capital funding. Capital Funding Early Learning and Child Care Capital Fund/Family Choices Building Fund • funding to offset costs of construction of new or expansion of existing non-profit child care centres to create additional spaces; • provides one-third of total project costs up to $400,000 for centres not in schools; • a separate funding stream provides 100% of costs for centres located in schools or on school property, co-managed with Manitoba Education.
Saskatchewan	*Only non-profit and municipal child care services* receive public funding, including base, capital and subsidy funding. Space development capital one-time grant to a developmental licensee or a licensee of a non-profit centre to assist with costs of developing, renovating or constructing new child care spaces in a centre. • $3,360 per new child care space approved by the minister for development.
Alberta	No capital funding
BC	*Both non-profit and **for-profit eligible** to apply for* Child Care Major Capital Funding for costs associated with the creation of new licensed child care spaces excluding occasional child care, child minding and residential care. Child care facilities can apply to receive up to a 90% provincial contribution for the creation of licensed child care spaces located on school grounds and up to a 75% provincial contribution for all other projects. Non-profit organizations may receive up to a maximum of $500,000 and for-profit organizations a maximum of $250,000.
Yukon	No capital funding
NWT	No capital funding
Nunavut	No capital funding

Source: http://childcarecanada.org/publications/ecec-canada/16/03/early-childhood-education-and-care-canada-2014