

Exceptions from Restraints of the Federal-Provincial Childcare Agreement Necessary for Childcare Entrepreneurs (2024)

Issue:

Affordability grants for licensed childcare programs, though a temporary formula in an ongoing process, contain glaring fiscal issues that must be addressed with guidance from the childcare industry.

Background:

The Federal-Provincial Childcare Agreement was created to create accessible, affordable, and high-quality childcare. Through the agreement, \$3.8 billion will be invested in childcare for children up to kindergarten-age. Over the course of a five-year agreement the government pledged to:

- Reduce licensed childcare fees by an average of 50% for families with children up to kindergarten-age (in kindergarten and attending childcare during regular school hours) (early 2022)
- Lower average licensed childcare fees to \$15 per day for families with children up to kindergarten-age (in kindergarten and attending childcare during regular school hours) (by 2023-2024).
- Lower average licensed childcare fees to \$10 per day for families with children up to kindergarten-age (in kindergarten and attending childcare during regular school hours) (by 2025-2026)

Other goals included expanding childcare accessibility and supporting high-quality childcare with the creation of new spaces (both non-profit and for-profit) and professional development training and certifications for the early childhood educator workforce.³⁰

It becomes increasingly more apparent that the agreement the Government of Alberta signed with the Government of Canada (without input from the childcare sector and forcefully imposed upon the industry) is falling short of their promises.

Association of Alberta Childcare Entrepreneurs (ACE) research shows that the financial burden placed on childcare centers is becoming increasingly unsustainable (despite additional funding provided by the Government of Alberta), and the consequences will include bankruptcies, lower childcare quality among operators forced to operate with severe financial constraints, and a lack of meaningful choices for parents as the industry transitions from a competitive mixed-market system to a state controlled and funded system.

In their letter to the Government of Alberta, the ACE shared that access to \$10/day funding simply is also not equitable as it is only available to families choosing care via licensed, state-funding programs. Many rural families do not have such centers nearby, and many of those centers are already full and have growing waitlists.

³⁰ <https://www.alberta.ca/federal-provincial-child-care-agreement>

The allotted 3% increase intended to help cover the increased cost of doing business to ensure fees increases are not passed onto parents is insufficient to keep pace with the inflation index. Fixed fee caps do not adequately account for rising operational costs and operators find themselves needing to make cutbacks like any other business or household facing financial constraints. These cutbacks can include reduced staffing and limited resources that impact on the overall quality of care provided.

Additionally, administration costs are underfunded. The one-time administration grant covers less than 47% of the estimated increased administrative costs as childcare centers are required to do more financial reporting and act as the middleman for grant eligibility communication with parents.

The result of the current grant model over the last two years is childcare operators with depleted savings and securing loans to sustain the Affordability Grant program; a precarious path towards financial ruin and the closure of centers or withdrawal from the program altogether. The current funding model is unsustainable and evidence of that is becoming more prevalent across the country – not just Alberta.

Recommendations:

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Implement a 'Fund the Parents' model to provide financial support for childcare expenses directly to the parents.

or

2. Allow childcare centers to increase fees in alignment with inflation rates and -
3. pass on additional administrative costs as a separate fee.