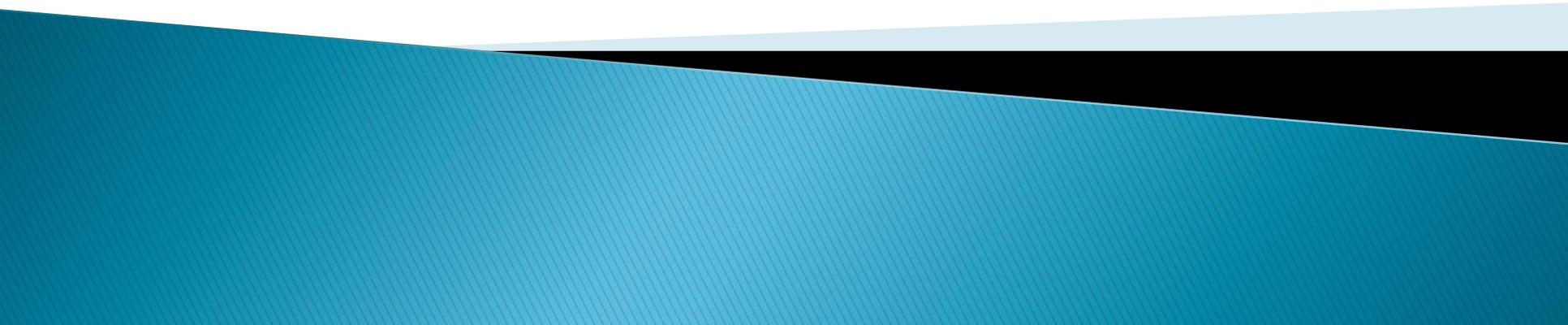


Comparing \$10/day flat fees with income tested child care fees

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At Issue...

- ▶ Public discussion is required to address issues of design and implementation of a system that supports affordable child care fees
 - A relatively small, but obviously sensitive issue concerns the way in which user fees are determined
 - Hoping to stimulate discussion, I have recently sent out a short document which compares the flat fee and income-tested (sliding scale) approaches to user revenue
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Origins of the Issue

- ▶ General consensus that child care is not affordable for most working families
- ▶ The popularity of Quebec's \$7 child care fee continues to inspire calls across the country for introduction of similar approach
- ▶ The most recent manifestations are the \$10/day flat fee campaigns in BC and Ontario; however there are significant differences between the two:
 - BC "\$10plan" proposes a complete system reform
 - The campaign in Ontario has not moved yet beyond the affordability slogan; there is no evidence of a "Plan"
- ▶ The elections are coming.....

First...

clearing up some misconceptions

- ▶ Not advocating the perpetuation of the existing subsidy system in Ontario
- ▶ Not advocating against universal child care;
 - However, note that “universal” does not necessarily mean “free”
- ▶ Not criticizing the BC plan
 - A specific issue with the user fee mechanism
 - Concerns about the translatability of the BC plan to Ontario

User fees and program funding

- ▶ Should child care be free?
 - Public and private benefit
 - For some age groups parts of day are free already
 - No jurisdiction provides full-time, year round child care free
 - ▶ Higher income families benefit more from the Child Care Expense Deduction
 - ▶ How funding is delivered to the operators, and how user fees are determined, calculated and collected, are two distinct issues
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How much does child care cost?

- ▶ Difference between “costs” and “prices”
 - Cost = production value
 - Price = user pays
 - Can be more or less than cost
 - Net User Cost = after tax deductions
- ▶ Example – infants (0–18 months old)
 - Average **cost** per space = \$26,933/year
 - Average **price** per space = \$19,078/year
 - Difference accounted by:
 - “cross-subsidy” – prices for older children higher than cost
 - base funding (e.g. wage subsidies and occupancy costs)

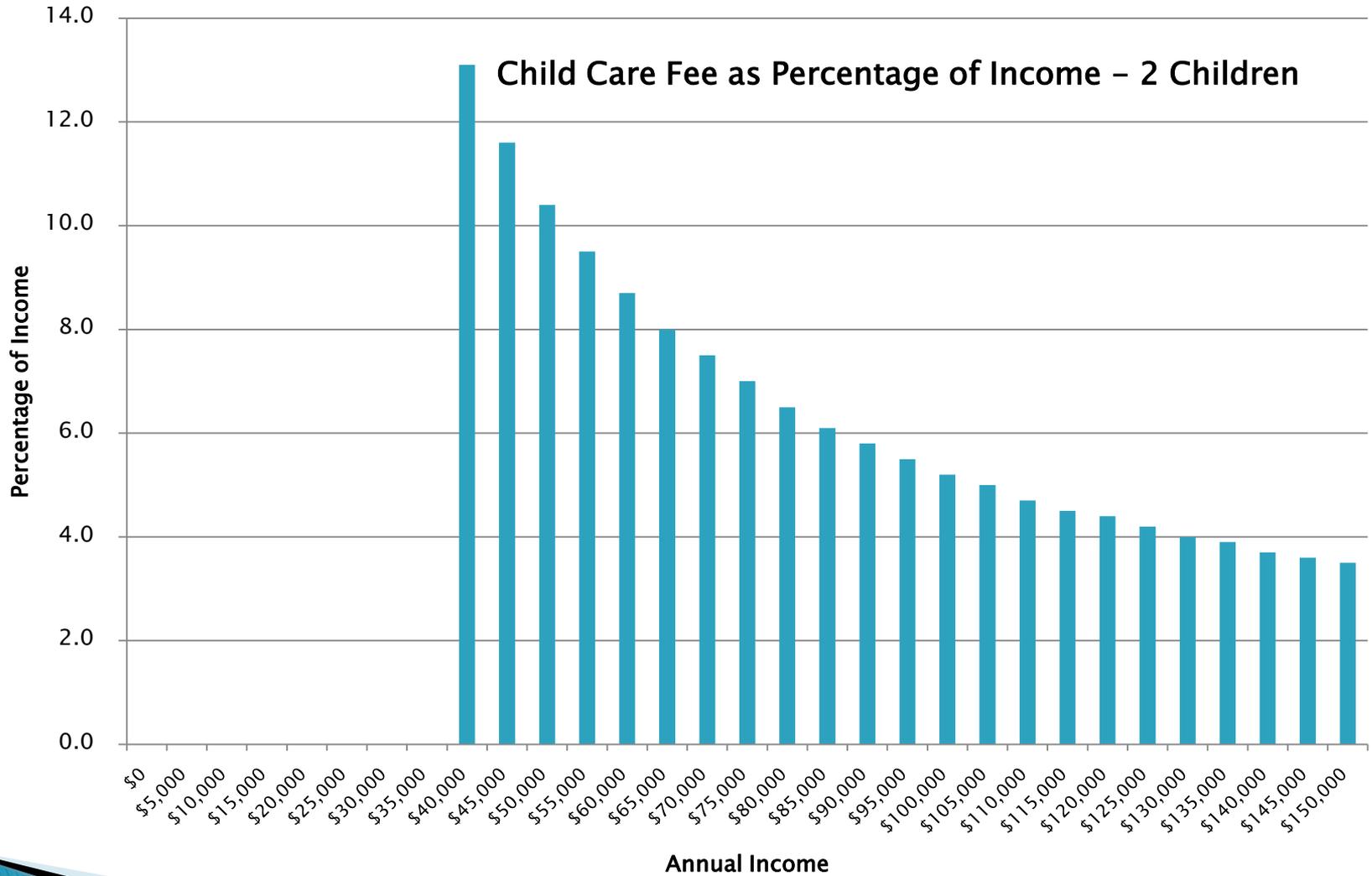
The cost is high... but not high enough

- ▶ At hourly rate of \$26.44 (average for unionized ECEs in Toronto) plus 25% benefits, the teaching cost alone for an infant space would be \$28,423
- ▶ With approximately \$4,500 for occupancy, administration, nutrition and program, total cost should be → \$33,000–\$35,000 per child
- ▶ At Pay Equity wages, the actual cost of an infant space delivered by fully trained ECEs should be approximately \$37,000
 - Approx. 37% increase

\$10/day flat fee proposal

- ▶ Begins at \$40,000 annual family income
 - \$7/day for part-time care
 - \$0/day with incomes under \$40,000
 - Per child
 - Administratively simple
- ▶ Issues
 - Equity – lower income families pay proportionately more
 - \$1 in income increase leads to \$2,610 annual cost
 - Families with more children will pay more
 - History may repeat itself – the lessons from Quebec
 - High cost of implementation

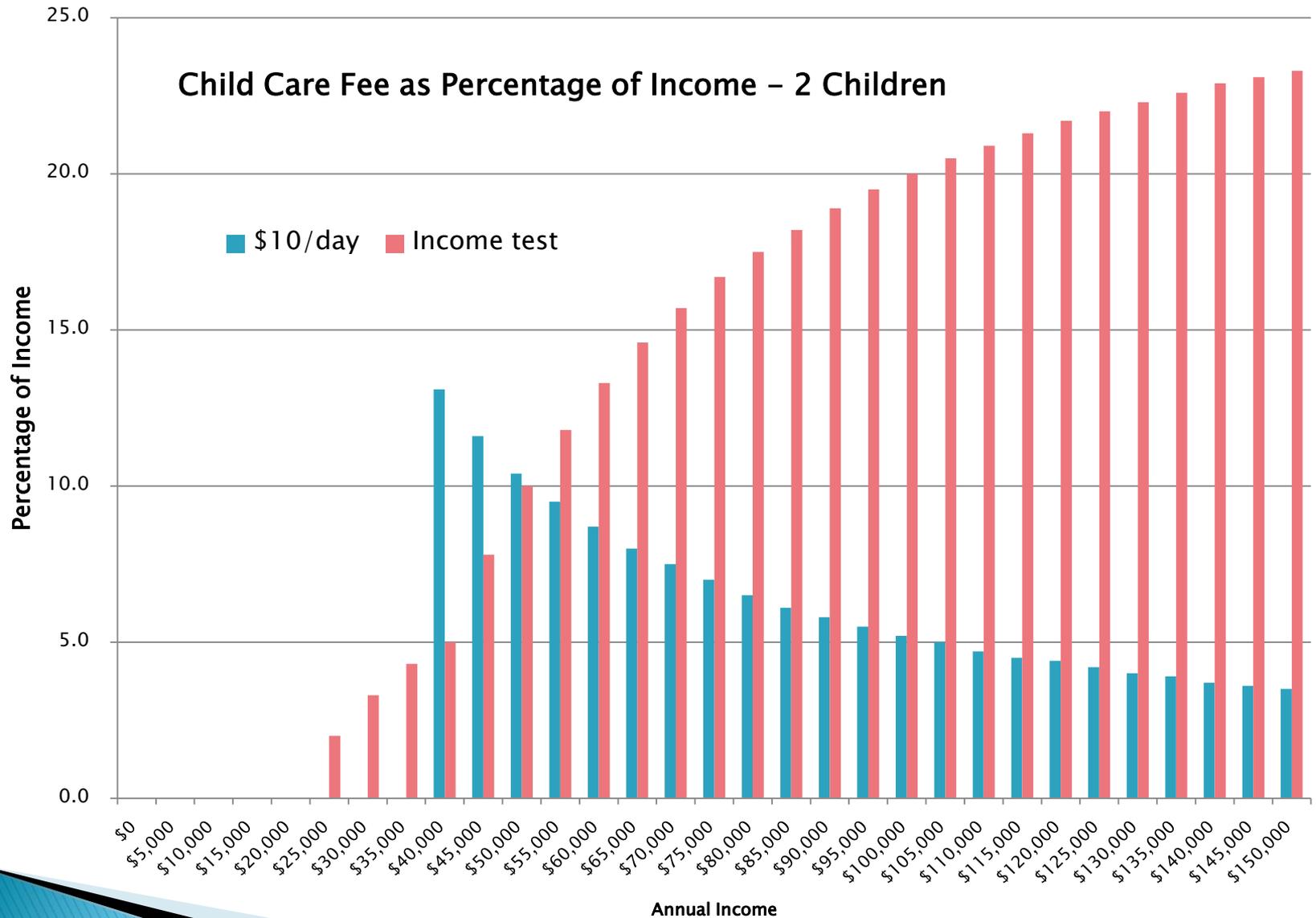
\$10/day flat fee



Income tested fee (Ontario, 2014)

- ▶ Sliding scale
 - \$0 for taxable income under \$20,000
 - 10% of income between \$20,000 & \$40,000
 - 30% if income above \$40,000
- ▶ No upper cut-off (unlike other provinces using income test)
 - Subsidy stops when price of care is less than the fee
- ▶ Family fee – formula independent of number of children
- ▶ Administratively simple
- ▶ Issues
 - Tax-back rates are too high
 - Eligibility restrictions

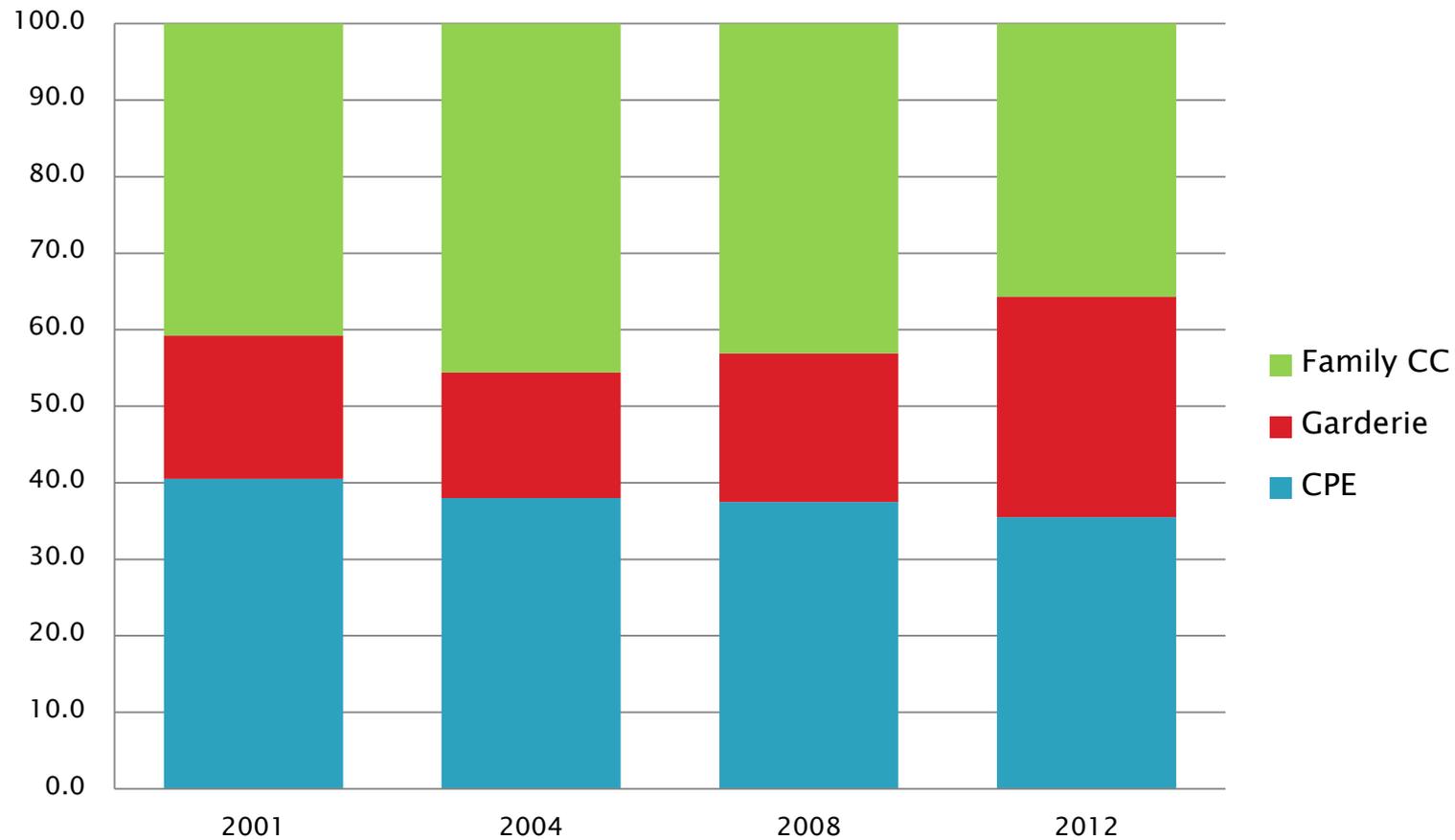
Comparing \$10/day Flat Fee and Income Tested Fee



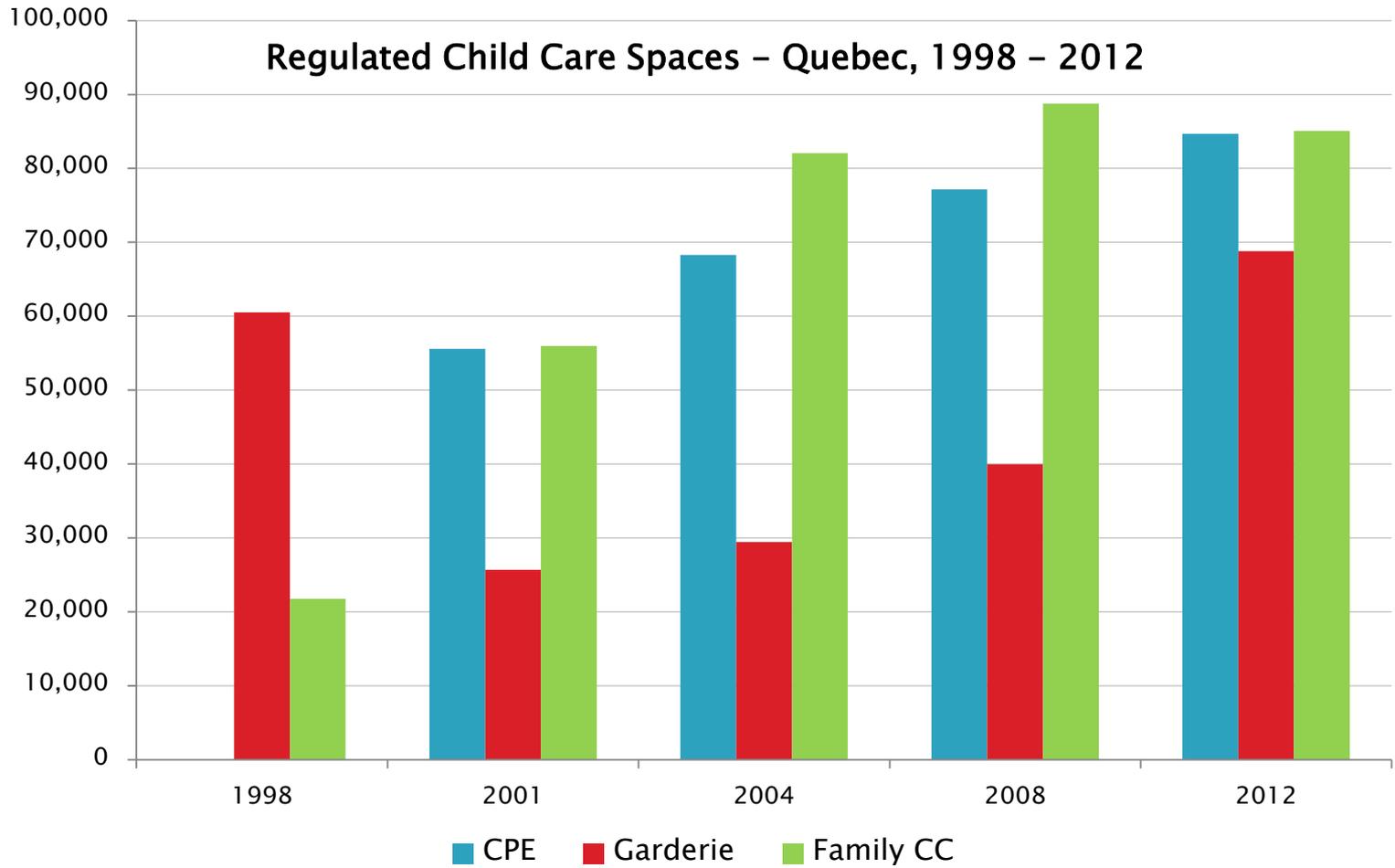
Implications of \$10 fee in Ontario

- ▶ High cost of implementation
 - Toronto – \$241 million annually without creating any additional spaces, improving quality or addressing ECE wages
 - Potentially \$1 billion across Ontario just to maintain status quo
- ▶ Demand will increase beyond the system's ability to cope as was experienced in Quebec
 - Low income families will have lower levels of access
 - Short term quality impacts
 - Rapid expansion of for-profit and family child care

Sector Share of Regulated Child Care Spaces, Quebec 2001 – 2012



Regulated Child Care Spaces – Quebec, 1998 – 2012



Learning from FDK & Quebec

- ▶ System design – making tough decisions
 - Market vs. System funding
 - Public vs. Private; Role of for-profit services
- ▶ Substantial parallel investments must include:
 - Expanding licensed capacity
 - Staff training and compensation
 - Eliminating eligibility restrictions
 - Improving Affordability
 - Eliminating need for cross-subsidy by more intensive supports for infant and toddler spaces
 - Changing/updating the income test parameters to lower the maximum percentage of income spent on child care
 - Improving parental leave

In Conclusion

- ▶ Intent was to begin a public conversation about determining child care user fees
 - ▶ Obviously, the larger the share of funding from government, the less dependence on user fees
 - ▶ Yet as long as there is need for user fees, we should strive for the fairest and most equitable method of determining individual family contribution
 - ▶ At the same time we, in Ontario, need to engage in deeper systemic thinking than just figuring out the most catchy line for the upcoming municipal, provincial and federal campaign
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