

Media Release: Demand for \$10-a-day child care expected to significantly exceed supply ^[1]

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DEMAND FOR \$10-A-DAY CHILD CARE EXPECTED TO SIGNIFICANTLY EXCEED SUPPLY

TORONTO, November 14, 2022 – Today, the Financial Accountability Office of Ontario (FAO) released a report that analyzes the Ministry of Education's spending plan as set out in the 2022 Ontario Budget and the 2022-23 Expenditure Estimates.

The FAO projects that under current program design and announced commitments, Ministry of Education spending will grow at an average annual rate of 4.5 per cent between 2021-22 and 2027-28, reaching \$40.9 billion in 2027-28. In the 2022 Ontario Budget, the Province projects that ministry spending will grow at a slower rate of only 3.6 per cent, reaching \$38.9 billion in 2027-28. Overall, given existing programs and announced commitments, the FAO estimates that the spending plan in the 2022 budget has a cumulative shortfall of \$6.0 billion over six years that will need to be addressed either by allocating more funding to the ministry or by introducing new measures that will lower program costs.

The largest component of Ministry of Education spending is for school board operations, which the FAO expects will grow by an average annual rate of 2.7 per cent between 2021-22 and 2027-28. School board spending is largely driven by compensation. The FAO's spending projection assumes that the number of school board workers will increase by an annual average of 0.7 per cent, from approximately 289,000 in 2021-22 to 300,000 in 2027-28, which tracks the expected increase in student enrolment. In addition, when the FAO developed its spending projection, new collective agreements for school board employees had not been reached. Consequently, the FAO assumes that school board employees' wages will increase at an average annual rate of 2.2 per cent per year, which reflects historical average wage growth in the education sector. When new collective agreements for school board workers are announced, the FAO will update its spending projection.

On March 28, 2022, the Province announced an agreement with the federal government (the Agreement) to deliver \$10-a-day child care by September 2025 and create 71,000 net new child care spaces, for a total of 375,111 licensed child care spaces by the end of 2026. As a result, the FAO projects provincial spending on child care programs will increase significantly, from \$2.2 billion in 2021-22 to \$6.5 billion in 2027-28, representing an average annual growth rate of 19.9 per cent.

There are some significant uncertainties regarding the implementation of the Agreement. There is no target in the Agreement for how many licensed child care providers will enrol in the program to provide \$10-a-day child care. Even if the Province is able to create and enrol all 375,111 planned licensed child care spaces by 2026, the FAO estimates that there will only be enough \$10-a-day spaces for 41 per cent of children under the age of six, while the families of an additional 227,146 children (25 per cent of the projected under age six population of 919,866 children in 2026) would be left wanting but unable to access \$10-a-day child care. Additionally, although the federal government has signaled its intention to renew the child care agreement after it ends in 2025-26, there is a significant shortfall in committed funding, pending a renewal/extension of the Agreement.

To learn more, read the full report [here](#) ^[3].

Quick Facts:

The FAO projects enrolment for students in kindergarten through grade 12 will increase at an average annual rate of 0.8 per cent between 2022-23 and 2027-28, reflecting an expected recovery in the enrolment rate, which declined during the COVID-19 pandemic, and growth in the student-age population.

In response to Bill 124, which capped public sector base salary increases to one per cent annually for a period of three years, a coalition of Ontario unions launched a lawsuit to challenge the legislation. If the lawsuit is successful, the FAO estimates the cost to the Ministry of Education could be \$1.5 billion in 2022-23, assuming retroactive payments, and, over the entire six-year outlook, total incremental spending could reach \$4.4 billion.

The Province plans to invest \$21.2 billion in education infrastructure over 10 years, from 2022-23 to 2031-32. After adjusting for inflation, this represents a \$3.0 billion (14 per cent) spending decline (in 2021 dollars) compared to the previous 10-year period.

The federal-provincial child care agreement commits \$10.5 billion in funding over five years to 2025-26, of which 97 per cent will be provided by the federal government.

The FAO estimates that the \$10-a-day child care program has a committed funding shortfall of \$1.2 billion in 2026-27 (based on the minimum federal and provincial commitment) and \$4.3 billion in 2027-28 (based on the absence of any federal or provincial commitment) pending a renewal/extension of the Agreement.

Region: Ontario ^[4]

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