

What's the government really spending? ^[1]

The child care conundrum Part 2

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EXCERPTS

More than two years ago, Jayant Gupta worked the cost of day care for one child into his family budget. Then he and his wife found out they were having twins.

Putting daughter Asha and son Rohan, both now three years old, into child care cost the family about \$20,000 annually per child. The couple, though well paid as architects, watched their savings dwindle.

"It's more than our housing costs," Gupta says. "That's where I wonder how people can do it, how people who aren't professionals can both work and put their kids into a decent day care."

The child care system, Gupta says, could "definitely use a lot more public funding.

"I wouldn't want to see social programs that bankrupt the province, like Quebec, but this could really help parents and the economy."

Quebec's struggle to make its popular subsidized child care system financially viable has been a point of debate over whether such a system could work countrywide. Quebec's shaky finances, however, have forced a change in the program: The price is still about \$7 a day, but those with higher incomes will be asked to pay more for day care on their taxes next year, and see a new sliding scale fee structure instituted in 2016.

For advocates of a publicly funded universal child care system, the plight of Quebec's finances is a reason the federal government should invest billions of dollars - to help that province or any other province that wants to go down the same road.

Opponents, however, say that the proposed additional spending, part of the federal NDP's platform, is too much and wouldn't help bring costs under control - there is even evidence to suggest the opposite may occur. They also say the sort of tax breaks the Tories propose instead would help young families more than diverting billions from federal coffers.

What both arguments miss is that billions already flow from the federal treasury to help with the costs of child care. Much of that flow is hidden, or indirect. And there is little empirical evidence to be able to tell if this money is meeting its goals.

What the federal government spends

The myriad federal spending streams for child care add up to about \$7.1 billion for the 2015-16 fiscal year, according to data from the Parliamentary Budget Officer. This will rise to \$8.2 billion in the next fiscal year, including spending streams the government identifies as part of its child care strategy that the PBO didn't include in a fresh report released March 31. These spending items include: the universal child care benefit, which will cost \$6.7 billion this fiscal year once increases to the monthly benefit come into effect; \$1 billion in the child care expense tax deduction; and a \$250-million transfer payment to the provinces specifically to create child care spaces.

The federal government also forgoes GST on child care costs, which, according to the Department of Finance's annual report on tax expenditures, cost the government about \$185 million in the 2013 tax year.

A national child care program of the sort the NDP envisions can't just be added on to all of this; the law of unintended consequences starts to apply. Quebec's experience shows just how finicky the projections can be.

For instance, Quebec's spending on its day care expense tax credit declined between 1999 and 2007 as the province instituted a heavily subsidized day care system with low costs to parents. The problem for Quebec was that the day care program was too popular and demand for spaces outstripped supply. To meet demand, Quebec loosened rules and allowed more private, non-subsidized spaces. Then, to help those parents paying the higher prices in these private spaces, the province made the day care expense tax credit more lucrative. Benefits to parents through the tax credit then rose to about \$350 million from about \$160 million, according to researchers at the University of Sherbrooke.

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