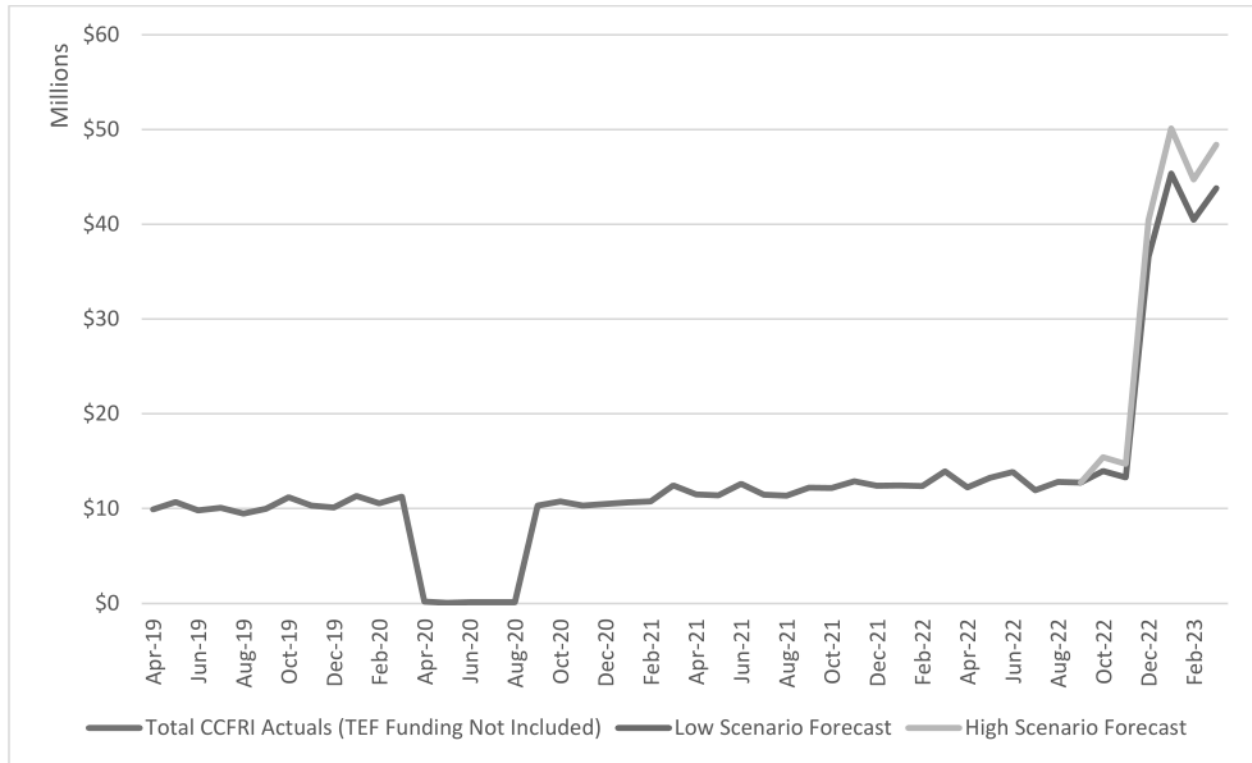


Child Care Fee Reduction Initiative (CCFRI) 2022/23 Forecast

Updated 24 Nov 2022

Chart 1: Monthly 2022/23 Child Care Fee Reduction Initiative Forecast (\$Million)



Source: Child Care Operating Fund (CCOF) system as at 01 November 2022. Expenditure may increase due to late claims.

- CCFRI actuals and COVID impact forecasts do not include CCFRI payments made to TEF facilities during the period that the TEF program was active. These expenditures are included in the TEF forecasts and budget.

Table 1: Monthly 2022/23 Child Care Fee Reduction Initiative Expenditure Forecast (\$ Million) with Low and High Scenario

	Month	Low Scenario	High Scenario
Actuals	22-Apr	\$12.3	
	22-May	\$13.2	
	22-Jun	\$13.9	
	22-Jul	\$11.9	
	22-Aug	\$12.8	
	22-Sep	\$12.8	
Forecast	22-Oct	\$14.0	\$15.4
	22-Nov	\$13.3	\$14.7
	22-Dec	\$36.6	\$40.4
	23-Jan	\$45.4	\$50.2
	23-Feb	\$40.5	\$44.7
	23-Mar	\$43.8	\$48.4
	Total	\$270.4	\$290.8

Table 2: 2022/23 Child Care Fee Reduction Initiative Actuals and Forecast, 2019/20 to 2024/25

Fiscal Year	CCFRI Expenditure (\$m)	Parent Fee Reduction (\$m)	Provider Payment (\$m)
2019/20	\$124.7	\$111.4	\$13.3
2020/21	\$76.4	\$71.5	\$11.2
2021/22	\$146.8	\$126.6	\$20.2
2022/23 Low Scenario Forecast	\$270.4	\$238.8	\$25.9
2022/23 High Scenario Forecast	\$290.8	\$256.8	\$27.8
2023/24 Forecast	\$596.6	\$550.0	\$46.6
2024/25 Forecast	\$660.0	\$612.1	\$47.9

Source: Child Care Operating Fund (CCOF) system as at 1 Nov 2022.

Assumptions for the 2022/23 Forecast:

- The CW-ELCC enhancement to CCFRI will begin in December 2022. Both the parent fee portion and the provider payment will increase.
- The CCFRI provider payment amount was 10% of CCOF expenditure in 2018/19 and 15% in 2019/20. This increased to 20% as of 1 Apr 2020 and is projected to further increase to a weighted average of 46.8% in Dec 2022.

- The cost of the provider payment portion of the CCFRI expenditure will increase at the same rate as the expected increase to CCOF expenditures.
- The cost of the parent fee reduction portion of the CCFRI expenditure will increase due to the CCFRI enhancement, the creation of new CCFRI eligible child care spaces as well as the increasing levels of CCFRI utilization by existing child care spaces.
- For FY 2022/23, the \$10-a-Day ChildCareBC sites will be expanded by an additional nearly 6,000 spaces by Feb 2023. These spaces will no longer be eligible for the CCFRI program.
- Several key economic indicators show that B.C.'s economy has either recovered to pre-pandemic levels or exceeded pre-pandemic levels. According to the Statistics Canada Canadian [Economic Dashboard and COVID-19](#), national GDP has exceeded pre-pandemic levels since November 2021. According to the AEST [labour market update](#), B.C. employment levels have exceeded pre-pandemic levels each month since June 2021. Increases in both part-time and full-time employment have resulted in B.C. employment growth well above the national average. Increased employment and increased full-time employment are expected to increase demand for child care.
- According to the Canadian Survey on Business Conditions, the tight labour market in B.C. continues and child care workers are part of the health care and social assistance industry which has the highest proportion of businesses expecting difficulty in recruiting skilled employees at 55% and the highest percentage of businesses expecting difficulty in retaining skilled employees in next three months at 52%.
- The Consumer Price Index indicates inflation remains very high (6.9% increase comparing Oct 2022 with Oct 2021) and interest rates continue to increase, with the latest increase to 3.76% introduced on 31 Oct 2022 for the Canadian Overnight Repo Rate Average. Higher interest rates, higher supply costs, and continuing supply chain issues may slow growth for both newly funded child care projects and previously funded but not yet operational child care projects.
- At the same time, the pandemic may have permanently changed the nature of employment. During the height of the pandemic in May 2020, almost a third (31%) of B.C. workers worked most of their hours at home. This has decreased to 25% working at least part of the time from home in September 2022 (16% working exclusively at home and 9% using a hybrid model) but is higher than the pre-pandemic level of 8% reported in the 2016 Census. This likely represents a level shift in the options for workers related to the location of their employment. For child care, impacts could be a decrease in the demand for before and after school care for children aged 6 to 12 years. For children 5 and under, it could mean an increase in demand for more flexible child care schedules, or a change in demand by location as the patterns of parents seeking child care either close to work or close to home change.
- There continues to be the possibility of future waves of illness as the COVID-19 virus and increased incidences of respiratory illnesses during the winter months between Nov to Feb. These factors

would be likely to suppress child care demand as parents keep sick children at home but increase the demand for substitute child care workers to cover staff absences.

- To account for the uncertainty, a range of 95% to 105% of full recovery was used for the 2022/23 expenditure forecast. This is an upward revision from the 90% to 100% range used in 2021/22 which was based on the B.C. economic recovery plan which had full recovery to pre-pandemic levels as the goal for B.C.'s economy in 2021/22.

Assumptions for 2023/24 and 2024/25 Forecast

Total CCFRI expenditure is a combination of two components. The reduction in childcare fees and a provider payment made to facilities who participate in the program.

- As the provider payment portion is a percentage of CCOF funding the forecast is a function of the forecasted CCOF expenditure with the following assumptions:
 - The current provider payment will be 46.8%.
 - Effect of COVID is not considered.
- The forecast for the childcare fee reduction amount is based on estimated growth of in CCOF of CCFRI eligible spaces (currently only 0-5 years spaces are eligible for the CCFRI) with the following assumptions.
 - Age distribution of new CCOF spaces will mirror existing distributions.
 - CCFRI fee reduction amounts stay at the enhanced levels.
 - Effects of COVID are not considered.
- The effects of the proposed expansion and enhancement to CCFRI for school age and preschool care are included and based on separate costing.

See the CCOF forecast for additional information about the space forecast.

Changes From Previous Forecast

- CCFRI actuals from April – September (October excluded due to late claims) are \$76.9m, within the previously forecasted range of \$74.2m-\$79.4m.
- Transition of 2,000 CCOF spaces to \$10 a Day spaces was delayed until after December 2022, leaving those spaces in CCFRI longer.

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