



Summary: Questions About Alberta's Cost-Control Framework and For-Profit Expansion Plan



Author: Jeffrey Bisanz

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This paper is a summary of *Questions about Alberta's Cost-Control Framework and For-Profit Expansion Plan*, which is available at <https://www.ecelc.ca/publications>.

The *Cost Control Framework and For-Profit Expansion Plan*,¹ released in January 2023, is intended to be an important step in implementing Alberta's version of a Canada-wide system of early learning and child care (ELCC). This federal-provincial agreement follows previous commitments to incorporate five important principles: accessibility, affordability, quality, inclusion, and flexibility. An important goal is to build a system that will provide services at an average out-of-pocket cost to parents of \$10 per day by the end of the 2025-2026 fiscal year.

At the centre of the cost-control framework is a cost-control funding formula that incorporates revenues, costs, and profit or surplus. *Revenue* consists of (a) parent fees, which will average \$15/day in 2023-2024 and \$10/day by 2025-2026, and (b) government funding, which includes subsidies to parents, wage top-ups, and direct grants to operators. *Costs* incurred by operators include costs for *core* services and costs for *enhanced* services. The difference between revenue and costs for core services is *profit* or *surplus*. Enhanced services are not covered by government funding and so, for the purposes of cost control, fees for these services are not considered as revenue.

The *Cost Control Framework and For-Profit Expansion Plan* provides insights into the intentions of the Alberta government, but the absence of critical details makes it difficult to anticipate what lies ahead. The immediate task for those who care about high-quality and affordable ELCC is to attend to how six critical questions are answered.

What are "operator core child care costs"? For the cost-control framework to be successful, core services must be clearly defined and their costs must be carefully estimated. An incomplete list of these services and poor estimates of costs could result in financial barriers for families and for operators, confusion for everyone, and low-quality services. At present these critical core services are not defined and it is not even clear that core services *can* be defined in a way that maintains commitment to the five principles, is practical to implement, and avoids imposing a "one-size-fits-all" solution.

What are "enhanced services"? According to the *Cost Control Framework and For-Profit Expansion Plan*, enhanced services are not covered by government funding, are not core services, and may require additional fees from parents. Moreover, enhanced services are

¹ Government of Alberta (2023). *Cost control framework and for-profit expansion plan*. <https://open.alberta.ca/publications/alberta-cost-control-framework-forprofit-expansion-plan>



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"optional and cannot limit a child's access to affordable child care at any time nor create preferential access to a child whose parent may pay for enhanced services" (p. 6). Without a list of defined core services, however, it is impossible to determine what could be considered an enhanced service or even how such a decision would be made. Moreover, it is difficult to see how enhanced services could be provided without compromising quality and creating multiple tiers of service delivery within or between ELCC facilities.

What is "reasonable profit or surplus"? Part of the rationale for having enhanced services is to provide a way for ELCC facilities to generate "reasonable profit or surplus." The concept of enhanced services and fees creates a mechanism for generating profits or surpluses, but it also creates complications that are likely to be difficult or impossible to resolve. One problem is that *reasonable* profit and surplus are not explicitly defined, and so it is not clear how they can be distinguished from *unreasonable* profit or surplus. It also is not clear how reasonable profit or surplus can be generated without compromising the quality of services for some children.

What is quality? The concept of quality runs through all the topics above and all the documents on the Canada-wide early learning and child care plan. In the *Cost Control Framework and For-Profit Expansion Plan*, high-quality ELCC is described as a principle and a goal, and any efficiencies made to generate profit or surplus are not to compromise quality. Unfortunately, no mechanisms are provided to ensure that service delivery is high in quality.

What does "average" mean in "average parent fees"? All the Canada-Alberta documents on ELCC to date refer to targeting "average" fees to be paid by parents. Unfortunately, failure to define "average" creates confusion. First, "average" could refer to parent fees for core services or for all services, including enhanced services. If "average" refers only to the cost of core services, then the *Cost Control Framework and For-Profit Expansion Plan* would appear to be in violation of all previous federal-provincial agreements, none which imply that "average" refers to some ongoing costs but not others. Second, "average" could refer to average ELCC fees per facility or to the average of fees across all facilities. Depending on the interpretation and how it is implemented, achieving an average fee could result in unequal services within or between facilities as well as financial barriers for some families.

What is the plan for the expansion? The expansion plan is a commitment to increase delivery of early learning and child care by up to 22,500 for-profit spaces, which is in addition to 42,500 not-for-profit spaces and 3,700 for-profit spaces promised earlier. Unfortunately, the expansion plan fails to address how these spaces will be distributed in an equitable and effective manner, how these spaces will be staffed given the shortage of early childhood educators, and what, precisely, will be counted as "new" spaces as expansion proceeds.

Conclusions

The *Cost Control Framework and For-Profit Expansion Plan* is an important statement about how to improve the delivery of ELCC in Alberta. It is difficult, however, to imagine how cost control and expansion can be implemented when so many critical questions have yet to be answered. Those who care about high-quality and affordable ELCC will need to attend closely to how these questions are addressed and to consider whether a major course correction is needed to ensure that ELCC meets the standards for accessibility, affordability, quality, inclusion, and flexibility that Alberta's children and families deserve.