

February 03, 2022



# COST ESTIMATE OF THE FEDERAL NATIONAL CHILD CARE PLAN



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report provides an estimated cost of the provincial and territorial aspects of the federal national child care plan announced in Budget 2021.

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RP-2122-028-S\_e

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# Executive Summary

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In Budget 2021, the government outlined a Canada-Wide Early Learning and Child Care Plan.<sup>1</sup> A cornerstone of this initiative was a national child care policy to be implemented by provinces and territories. This would entail:

- Ensuring that the demand for licensed child care spaces for children up to five years old is met;
- A 50% reduction in average fees by the end of 2022, and bringing these to \$10 per day by 2025-26; and
- Providing federal transfers to provinces and territories amounting to \$27.2 billion over the 2021-22 to 2025-26 period, with additional annual funding thereafter.

In addition to increasing the number of child care spaces and providing fee subsidies, the plan would impact Child Care Expense Deduction (CCED) claims, income tax revenues, and Canada Child Benefit (CCB) transfers. These were considered in the estimation.

The plan includes some other elements which the PBO was not able to cost at a detailed level due to a lack of policy details available.<sup>2</sup> The aggregate cost of these elements was approximated.

The PBO estimated that the total net cost of the plan would be \$26.4 billion by the end of 2025-26. This includes a gross cost of \$28.3 billion and a cost recovery of \$1.8 billion. The federal transfers earmarked to implement this policy will be insufficient to fulfill the goals of the policy. There is a \$1,083 million shortfall over the forecast horizon, which is expected to grow over time.

The cost estimate used the same set of parameters and assumptions for all provinces and territories, whether or not the province or territory had signed an agreement with the federal government at the time of publication with respect to the plan. Once all agreements are finalized, the PBO intends to publish a report with more detailed analysis for each province and territory.

Summary Table 1

Comparison of Gross Costs of Canada-Wide Early Learning and Child Care Plan – Provinces and Territories (\$ millions)

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
<b>PBO</b>	771	3,944	6,732	7,679	9,157	28,283
<b>Planned federal government spending</b>	3,000	4,500	5,500	6,500	7,700	27,200
<b>Difference</b>	-2,229	-556	1,232	1,179	1,457	1,083

The PBO’s estimates of the amounts required to implement the policy were overall greater than the amounts outlined in Budget 2021. Notably, the PBO estimated that in 2026, the funding gap between the PBO’s projection and the planned federal government spending would result in the policy providing 181,963 fewer FTE spaces than would be required to meet the demand for licensed child care spaces under the policy.

# 1.1 Introduction

Budget 2021 committed nearly \$30 billion to the Canada-Wide Early Learning and Child Care plan until the end of the 2025-26 fiscal year. This included \$27.2 billion for provinces and territories to carry out the plan following federally set targets, as well as \$2.5 billion for Indigenous-specific components of the plan.<sup>3</sup> This report estimates the cost of the provincial and territorial aspects of the plan (henceforth referred to as the “universal policy”).<sup>4</sup>

To complete the estimates, the PBO used data and other information from various sources, including Information Requests to the Department of Finance.<sup>5,6</sup> Estimates in this report include the costs of providing subsidies and other components of the universal policy, as well as the resulting increase in income tax revenues and decrease in child benefits transferred to families.

The cost of a child care space is covered by a combination of fees paid by parents and government (provincial/territorial and federal) funding. Before the universal policy, federal funding consisted of funds transferred to provinces and territories through existing bilateral agreements that were created to help provinces and territories work towards the goals in the Multilateral Early Learning and Child Care Framework.<sup>7</sup> The universal policy funding would reduce the amount that would be covered by parents; it would not affect the amounts contributed by the other sources.

## 2.0 Methodology

### Box 2-1

Quebec’s child care system has already achieved the targets outlined by the federal government for the other provinces and territories. As such, Quebec will be free to choose how to spend the funding it will receive under the universal policy.

The PBO assumed that Quebec will receive a proportion of the total universal policy funding in line with the proportion of Canadian children aged 0-5 who live in Quebec. It is unclear what tax or transfer implications Quebec’s use of the funding would have. As such, Quebec is excluded from the tax and transfer impact estimates in this report.

Under the new universal policy, all provinces and territories except Quebec (see Box 2-1) would be subject to the following targets:

- By the end of calendar year 2022, average fees for licensed child care for children 0-5 years of age would be reduced by 50%
- By the end of fiscal year 2025-2026, average fees for licensed child care for children 0-5 years of age would be \$10/day<sup>8</sup>

These average fee levels were assumed to apply to the population of children 0-5 who would want a licensed child care space once the universal policy is in effect.

To estimate the cost of the universal policy, the PBO made the following assumptions. First, demand for licensed child care spaces in each year of the policy would be met at the fee levels outlined in the policy. Second, there would be an increase in demand for licensed child care spaces as parents switch from unlicensed to licensed spaces, incentivized by lower fees. This

increase would be such that the rate of licensed child care users in each province and territory would reach the level under the current Quebec program. Third, some stay-at-home parents would join the labour force once the policy begins. The scale of this labour force increase would follow a similar trend to what happened in Quebec after the introduction of its provincial child care program (see Section 2.1).

The universal policy would have implications for the Child Care Expense Deduction (CCED) and the Canada Child Benefit (CCB), which would impact income tax revenues and transfers. These will be discussed in section 3.1.

## 2.1 Labour Force Impacts

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The lower fees for child care under the universal policy are expected to incentivize some stay-at-home parents of children 0-5 to join the labour force. Most of the available labour force information relating to parents and children is about mothers, especially data relating to stay-at-home parents. As such, the PBO used stay-at-home mothers as a proxy for all stay-at-home parents who would enter the labour force after the beginning of the universal policy. As well, the labour force impacts were estimated differently for provinces than for territories because of differing data availability.

The PBO assumed that, following the implementation of the federal policy, the participation rate of mothers of children 0-5 in all other provinces would eventually converge to the 2019 Quebec rate.<sup>9</sup> The PBO based the estimation of the convergence speed for a given province on the increase in labour force participation of Quebec mothers between the year at which Quebec surpassed the given province's rate and 2019.<sup>10,11</sup>

In the case of the territories, the labour force participation increase was estimated by multiplying the implied percentage point increase of the participation rate with the corresponding labour force estimate.

For all provinces and territories, the number of mothers expected to join the labour force was multiplied by the average number of children in families with children 0-5 and the proportion of children who were expected to attend licensed child care.<sup>12</sup> The result was then adjusted based on the proportions of children expected to use full-time or part-time child care in order to come up with the full-time equivalent (FTE) of additional child care spaces that would be needed to meet the demand.<sup>13</sup>

The new federal policy will also incentivize families to switch from unlicensed to licensed child care. By the end of 2025-26, the demand for licensed child care is expected to be such that the proportion of licensed child care attendees aged 0-5 in each province and territory will be equal to Quebec's proportion (93%). At that point, licensed child care fees would be \$10/day.

There would be little incentive for parents to use unlicensed child care, but there would be incentive for unlicensed child care providers to become licensed. This would contribute to increasing the number of children in licensed child care spaces, while at the same time increasing the overall cost of child care for governments.

## 3.0 How Much Will This Cost Provinces and Territories?

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To estimate the total cost of a child care space in a given province (excluding Quebec) before the beginning of the universal policy, the PBO took the sum of per-child parent fees, provincial or territorial funding, and federal funding through the bilateral agreements related to the multilateral framework.<sup>14,15</sup> Under the universal policy,

- average parent fees would decrease;
- total provincial contributions were assumed to increase only by the rate of inflation; therefore, because there would be additional child care spaces under the universal policy, the provincial contribution per space would decrease;<sup>16</sup>
- the nominal annual amounts of funding from the bilateral agreements associated with the multilateral framework would be the same in each year of the universal policy;<sup>17</sup>
- the universal policy would cover the remaining cost of child care spaces, making up for the lower parental contribution to the total cost.

With respect to the start of fee reductions, the PBO assumed that the universal policy funds would begin being disbursed in January 2022.<sup>18</sup> By the end of the 2022 calendar year, fees in each province and territory (excluding Quebec) would be lowered by 50% compared to their respective levels in December 2021.<sup>19</sup> The PBO assumed that, to meet this target, fees would be reduced successively in each month of 2022 by 1/12 so that by December 2022, the fees would be 50% lower.

After 2022, fees would continue to decrease until they reach \$10/day by the end of the 2025-26 fiscal year. Some provinces and territories may reach this target sooner, but some will not. For simplicity, the PBO assumed that the \$10/day target would be reached by the beginning of the 2026 calendar year. The fee reduction was expected to be split evenly over four calendar years between 2023 and 2026 until fees reach the \$10/day target in 2026. Unlike for 2022, the reductions were assumed to occur on a yearly basis (e.g., the fee level for the 2023 calendar year would be the fee level in December 2022 minus ¼ of the difference between the fee level in December 2022 and the target of \$10/day in 2026).

To obtain the cost for the whole country, the cost of subsidies for all of Canada outside of Quebec was grossed up, allowing for 23% of total funds for Quebec. This means that the funding for the rest of Canada would represent 77% of the total under the universal policy.

Table 3-1 compares the PBO estimates of the cost of providing subsidies to the amounts outlined in Budget 2021. Government funding would be overall insufficient over the five-year period. The government funding allocation is much more front-loaded than the PBO’s projections of needs. In the first 2 fiscal years, government funding is more than the PBO projects would be necessary. However, in later years, the government funding is less than the PBO projects would be necessary.

**Table 3-1 Comparison of Gross Costs of Universal Policy - Subsidies (\$ millions)**

	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>Total</b>
<b>PBO</b>	694	3,550	6,059	6,911	8,242	25,454
<b>Planned federal government spending*</b>	2,700	4,050	4,950	5,850	6,930	24,480
<b>Difference</b>	-2,006	-500	1,109	1,061	1,312	974

Note: \*This assumes that 90% of total gross costs are spent on non-subsidy elements, which is the assumption the PBO is making for its own cost estimates. See section 3.2.

## 3.1 Federal Cost Offsets

The Government of Canada’s budgeted spending will be partially offset by several areas of savings.<sup>20</sup>

Since the universal policy would affect the amount parents spend on child care and would incentivize some parents to enter the labour force, it would affect federal income tax revenues and transfer payments. Specifically, the amounts that parents claim for the CCED and receive through the CCB would be reduced.

The impacts of the changes in CCED and CCB amounts would differ between types of families. The CCED is an income tax deduction for child care expenses. Typically, the lower earning parent claims the entire CCED amount.<sup>21</sup> Under the universal policy, families who already claimed the CCED pre-policy would pay less for child care, so their CCED deduction amounts would be lower, increasing their taxable incomes and, hence, federal tax revenues.

For families in which one parent does paid work and the other does not have an income and cares for their own children full-time, no one in the family was expected to claim the CCED before the universal policy. Some of these

stay-at-home parents would enter the workforce once the policy begins. These parents would earn income and pay taxes but would also begin claiming the CCED.

In addition to CCED claim amounts, CCB benefit amounts would be affected by the universal policy. The CCB is a tax-free payment that families with children may receive based on their income level, marital status and the number and ages of their children. The amount a family would receive through the CCB would depend on adjusted family net income in the previous calendar year (e.g., a family’s CCB rate for July 1, 2021 – June 30, 2022 would be based on its adjusted family net income earned in 2020).<sup>22</sup> The impacts of the universal policy on the government’s CCB expenditures would differ between types of families. Among families in which both parents worked pre-policy, or the lone parent in a single-parent family worked, lower child care fees would result in a lower CCED claim amount.<sup>23</sup> The lower CCED deduction would increase the family’s net income, making it likely to qualify for a lower CCB amount.<sup>24</sup>

Among families in which a stay-at-home parent would enter the workforce after the introduction of the universal policy, due to the resulting increase in the family’s net income, the CCB amount the family would receive may decrease. Although the CCB amounts may decrease in all family types, the amount of the decrease may differ.

Table 3-2 presents the PBO’s estimates of the gross costs, offsets and net costs of the universal policy. By the end of 2025-26, the universal policy would be associated with a cumulative increase of \$1,541 million in federal income tax revenues and a decrease of \$302 million in CCB benefits transferred.

**Table 3-2 Cost of Subsidies in the Universal Policy (\$ millions)**

	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>Total</b>
<b>Gross cost</b>						
<b>Subsidies</b>	694	3,550	6,059	6,911	8,242	25,454
<b>Cost recovery</b>						
<b>Income tax</b>	-59	-254	-327	-408	-494	-1,541
<b>CCB</b>	0	0	-66	-106	-130	-302
<b>Total</b>	-59	-254	-392	-514	-625	-1,844
<b>Total net cost of policy</b>	634	3,296	5,666	6,397	7,617	23,611

## 3.2 Other costs

On top of the federal subsidies to reduce out-of-pocket child care costs to parents, the universal policy would include certain other elements.<sup>25</sup> These include administrative costs and funding for aspects such as:

- accessibility
- Indigenous-related child care programming that would be provided by provinces and territories
- grants and wage modifications for child care workers

At this time, there is not enough information to enable the PBO to provide meaningful costings of these components of the policy. The PBO approximated the aggregate total of these costs to represent 10% of the total gross cost of the universal policy. The total was calculated by grossing up the subsidy-related amount that represented 90% of the total gross cost.

Table 3-3 illustrates the expected costs of the components of the universal policy that would not be related to fee subsidies. The PBO’s estimate is \$108 million more than the amount that the PBO expects the federal government to spend on the non-subsidy aspects of the universal policy.

**Table 3-3 Comparison of Gross Costs of Universal - Other (\$ millions)**

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
<b>PBO</b>	77	394	673	768	916	2,828
<b>Planned federal government spending**</b>	300	450	550	650	770	2,720
<b>Difference</b>	-223	-56	123	118	146	108

Note: \*\*This assumes that 10% of total gross costs are spent on non-subsidy elements, which is the assumption the PBO is making for its own cost estimates.

## 4.0 Results

Table 4-1 presents the PBO’s overall results. The dramatic cost increase between 2021-22 and 2022-23 was mostly due to the policy being assumed to start in January 2022, which is 3 months before the end of the 2021-22 fiscal year. In each subsequent year of the policy, costs would increase due to an increase in the number of child care spaces that would be subsidized and an increase in the level of subsidy per space. There is also a higher increase between 2022-23 and 2023-24 because of the gradual increase of the subsidy amount in each subsequent month of 2022 for parent fees to reach a 50% reduction by December 2022.

**Table 4-1 Overall Cost of the Universal Policy (\$ millions)**

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
<b>Gross cost</b>						
<b>Subsidies</b>	694	3,550	6,059	6,911	8,242	25,454
<b>Other costs</b>	77	394	673	768	916	2,828
<b>Total</b>	771	3,944	6,732	7,679	9,157	28,283
<b>Cost recovery</b>						
<b>Income tax</b>	-59	-254	-327	-408	-494	-1,541
<b>CCB</b>	0	0	-66	-106	-130	-302
<b>Total</b>	-59	-254	-392	-514	-625	-1,844
<b>Total net cost of policy</b>	711	3,690	6,340	7,165	8,533	26,439

Table 4-2 compares the PBO results to the amounts outlined in Budget 2021. Government funding would be overall insufficient over the policy period. Although it would be more than sufficient in the first 2 fiscal years, the government funding would become insufficient in the later years.<sup>26</sup>

**Table 4-2 Comparison of Gross Costs of Universal Policy (\$ millions)**

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
<b>PBO</b>	771	3,944	6,732	7,679	9,157	28,283
<b>Planned federal government spending</b>	3,000	4,500	5,500	6,500	7,700	27,200
<b>Difference</b>	-2,229	-556	1,232	1,179	1,457	1,083

To give context to the funding amounts, Table 4-3 shows how many spaces would be subsidized to the level of \$10/day in 2026.<sup>27</sup> The PBO estimated that in 2026, based on 90% of gross funding going towards subsidies, the funding outlined in Budget 2021 would allow 496,877 FTE spaces to be subsidized. This would indicate 181,963 fewer FTE spaces than the PBO projection for meeting the demand under a truly universal policy. In addition, it is possible that, in the early years of the universal policy, the federal government may spend more than 10% of total yearly funding on non-subsidy costs of the policy and may spend less than 10% in later years. However, in 2026, even if 100% of the funding were spent on subsidies, it would still fall short of meeting the expected demand for spaces under the universal policy.

**Table 4-3 Licensed child care capacity subsidized in Budget 2021 and PBO estimates by 2026, in FTE spaces**

<b>By March 31, 2026 (the end of FY 2025-26)</b>	<b>PBO estimated demand for 10\$/day child care</b>	<b>Spaces funded with amount committed in Budget 2021</b>	<b>Difference</b>
<b>If no universal policy</b>	N/A	571,027	N/A
<b>Spaces subsidized under universal policy</b>	678,841	496,877	181,963

In terms of macroeconomic impacts, the PBO estimated that, as a result of the universal policy, the overall labour force participation rate would be raised by 0.3 percentage points over the long term, which would result in a 0.4 percentage point increase in the long-term level of real GDP.

# Appendix: Data sources

**Table A-1** Data sources

<b>Variable</b>	<b>Source</b>
CPI and population growth	PBO EPC Baseline
Provincial child care data	Childcare Resource and Research Unit Early Childhood Education and Care in Canada 2019
Federal child care funding (before the universal policy)	Early Learning and Child Care Bilateral Agreements 2017-2020 and 2020-2021
Types of child care	General Social Survey 2017
Tax implications of policy	SPSD/M 28.1 <sup>28</sup>
Family and child data	Statistics Canada
CCB data	CRA Child and family benefits calculator
Wage data	Labour Force Survey
Policy information	Finance Canada
Territorial child care fee data	Canadian Centre for Policy Alternatives - In progress: Child care fees in Canada 2019

# Notes

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1. This report did not provide a cost estimate of the Indigenous child care program funding that would be provided separately from provincial and territorial funding, due a lack of detailed information at the time of publication. (Provinces and territories may provide certain Indigenous-related programming through their own agreement funding, but this programming would be separate from the Indigenous child care program outlined in Budget 2021.) Further, this report did not include any other costs associated with early learning and child care initiatives in Budget 2021 that would not be covered by the agreements with the provinces and territories.
2. This includes administrative costs and parts of the policy for which there was not enough information available to make meaningful detailed cost estimates (e.g., accessibility, wage grids and grants for workers, Indigenous-related programming that provinces/territories will fund).
3. <https://www.canada.ca/en/departement-finance/news/2021/04/budget-2021-a-canada-wide-early-learning-and-child-care-plan.html>
4. At the time of publication, the level of detail about the \$2.5 billion Indigenous child care program outlined in Budget 2021 did not allow for a separate analysis. However, certain Indigenous children would be covered under the universal policy, and provinces and territories may fund some of their own Indigenous-related programming through their agreement funding. The cost of Indigenous-related aspects of the universal policy were included in "other" costs. See section 3.2. As well, any other aspects of Budget 2021 that would relate to child care but would not be part of the agreements with provinces and territories were not included in this report.
5. IR0601 <https://www.pbo-dpb.gc.ca/en/information-requests--demandes-information?ir=IR0601>
6. IR0605 <https://www.pbo-dpb.gc.ca/en/information-requests--demandes-information?ir=IR0605>
7. Initially, the federal government signed these agreements with each province and territory for 2017-20. Further agreements were negotiated for 2020-21 and additional agreements will continue to be negotiated until at least the end of 2027-28.
8. The PBO assumed that \$10/day was for a full-time child care space.
9. The year 2019 was chosen to exclude the effect of the COVID-19 pandemic on the labour force.
10. The changes in this report were based on the increase in Quebec's rate once it overtook the rates of each of the other provinces, as opposed to the increase in Quebec's rate since the very beginning of Quebec's child care program. Using the latter would overestimate the effect of the universal policy, since Quebec's rate was lower than elsewhere before its program started, and the increase that happened between the very

beginning of Quebec's program and 2019 was more dramatic than what would be expected in other provinces and territories.

11. However, in most provinces, the current participation rate is low enough and the speed of convergence would be slow enough that the province would only converge to Quebec's 2019 rate several years after 2025-26. Nevertheless, the methodology allowed the PBO to estimate the number of mothers who would enter the labour force in each year of the universal policy covered in this report.
12. The proportion of these children that were expected to want licensed child care spaces was assumed to be the same as the proportion of children who attend licensed child care in Quebec. The PBO calculated this to be 93% based on General Social Survey 2017 data, which was the most recent provincial-level data that was sufficient detailed for the PBO's purposes.
13. Because of data limitations, this costing did not take into account how parents who were already working before the universal policy might increase their working hours due to lower child care costs. Thus, the PBO assumed that the proportions of children attending child care full-time or part-time would remain unchanged once the policy was put into place. Likewise, it would not push any parents to work less than they did pre-policy.
14. The year 2019 was used because it was the most recent year before the COVID-19 pandemic and is the most recent year with detailed enough data for the PBO's purposes.
15. The provincial and territorial data source did not only pertain to children aged 0-5. The PBO made adjustments to estimate the per-child amount that would apply to the 0-5 age group.
16. It was assumed that in the timeframe of this analysis, there would be no increase (in real dollars) in the amount that provinces and territories would spend on child care. Although provinces and territories may eventually increase the amounts that they contribute to child care, it is unclear when these increases would begin.
17. Thus far, the nominal amounts per province or territory outlined in these agreements have remained quite similar between years.
18. In reality, for most provinces and territories that already had agreements at the time of this publication, the first of the universal policy funds are expected to have already been disbursed. However, for provinces and territories which do not yet have agreements, it is unclear when funds will begin being disbursed. As such, a common start date mid-way between policy start dates of various provinces and territories was assumed.
19. The PBO's assumptions about the universal program were based on what was articulated in Budget 2021, in which the government did not articulate any reference point for the 50% reduction in fees by the end of 2022. The PBO's interpretation of the goals policy was that the reference point would be just before the beginning of the policy. Since

the PBO assumed that the policy would begin in January 2022, it assumed that the reference point would be December 2021. Due to the COVID-19 pandemic, fees would have not necessarily evolved year-over-year in the same way that they have between non-pandemic years. As such, this costing assumed that nominal fees in December 2021 would be equal to fees in 2019. As well, the data that was most appropriate to use in the calculations for this report was from 2019.

More recently, the Economic and Fiscal Update 2021, released in Fall 2021 (<https://www.budget.gc.ca/efu-meb/2021/report-rapport/EFU-MEB-2021-EN.pdf>) articulated that the reference point would be 2019 fee levels. Although this is not conceptually the same reference point as the PBO used, because the PBO was assuming that December 2021 fee levels would be the same as 2019 fee levels, the resulting estimates would be the same regardless of which reference point the PBO explicitly used.

20. Provincial and territorial governments would experience similar types of offsets, but these were not estimated in this report.
21. In some families in which both parents work (or the sole parent in a single-parent family), there may not be child care expenses (for example, grandparents or other relatives may provide free child care). These families would likely be part of the small percentage of families who would continue using free, unregulated child care after the implementation of the universal policy.
22. The definition of adjusted family net income can be found here: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4114/canada-child-benefit.html>
23. In families in which both parents work (or the sole parent in a 1-parent family) but there are no child care expenses pre-policy, the CCB amount would remain the same, assuming that the children remain in free child care.
24. If adjusted family net income is above a certain threshold (which varies based on other family characteristics), CCB benefits are completely phased out. Families in this situation would experience no change in CCB amounts if their net income became even higher due to lower child care costs.
25. These elements of the universal policy are not to be confused with other Budget 2021 child care-related programs addressing similar topics. The latter programs are separate from the universal policy.
26. Some sources of uncertainty about the amounts that would be spent in specific years include potentially different timelines between provinces and territories for implementation of the policy (which could be influenced by the dates on which provinces and territories sign agreements with the federal government) and provinces and territories potentially carrying over some funding between fiscal years.
27. As mentioned in section 3.0, the \$10/day fee rate is assumed to be in place for the entirety of the 2026 calendar year. The number of spaces would remain the same over the 2026 calendar year. The general methodology of the results from planned government spending in Table

4-3 was to assume that the funding allocated to January to March 2026 would represent  $\frac{1}{4}$  of total funding that would ultimately be spent in the 2026 calendar year. The estimated total funding for the 2026 calendar year was then divided by the PBO's estimated subsidy level for the 2026 calendar year. The result was the number of spaces that would be subsidized to the level of \$10/day parent fees.

28. This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.