



CIRANO note based on a report written by Nicholas-James Clavet and Jean-Yves Duclos, September 2015

This study quantifies and compares two recently proposed daycare funding reforms in terms of their individual and distributive impacts on families' child care expenditures and disposable income and on government finance. The first is the Government of Quebec's reform (GQ reform) which makes the parental contribution dependent on family income. The second reform is proposed by the *Commission de révision permanente des programmes* and the *Commission d'examen sur la fiscalité québécoise* (CRPP-CEFQ reform). These two reforms have very different impacts on families and the provincial government. An evaluation of these two reforms yields a better understanding of their relative strengths and weaknesses. Ultimately, this study allows us to assess their relevance and applicability more accurately. The highlights of the study are:

- The GQ reform increases the provincial government's net revenues by \$204 million. However, it significantly reduces the disposable income of families that use subsidized daycare services (-\$169.0 million).
- The CRPP-CEFQ reform proposes to increase the parental contribution for subsidized child care to \$35/day. With this reform, however, subsidized child care expenses become eligible for the provincial child care expenses tax credit in the same way as unsubsidized child care expenses.

This harmonization gives families that do not have access to a subsidized daycare a level of support that is more comparable to that received by those that do. In addition, this reform increases the net revenues of the Government of Quebec by more than the GQ reform (\$215.3 million versus \$204.0 million).

- Nonetheless, only 20.9% of families are worse off as a result of the CRPP-CEFQ reform (compared to 48% in the case of the GQ reform). Nearly all of these families have a family income in excess of \$130 000, while 97% of less well-off families (first income quintile) are better off under the CRPP-CEFQ reform.

Overall, the authors conclude that Quebec's families and government are both better off under the CRPP-CEFQ reform than under the recently implemented GQ reform. The former significantly increases the contribution of the federal government to the funding of daycare services by means of the federal child care expense deduction. It brings the federal government's contribution to Quebec families to a level comparable to the benefits received by families in the other provinces of Canada.

The full study (French only) is available on CIRANO's Website at:

<http://cirano.qc.ca/files/publications/2015s-38.pdf>