Ontario Child Care and Early Years Funding Guidelines – Questions and Answers

Release 5: November 2025

Links to Previous Q&A Releases:

2025 Cost-Based Funding Guidelines – Questions and Answers (Release 1 - July 2024)

2025 Cost-Based Funding Guidelines – Questions and Answers (Release 2 - October 2024)

2025 Ontario Child Care and Early Years Funding Guidelines – Questions and Answers (Release 3 – November 2024)

2025 Ontario Child Care and Early Years Funding Guidelines – Questions and Answers (Release 4 – March 2025)

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Extension of CWELCC Agreement	
136. How will the one-year extension of the CWELCC Agreement impact expected funding or parent fee levels under the Ontario Child Care and Early Years Funding Guidelines?	Ontario has reached a one-year extension of the CWELCC agreement with the federal government. This one-year agreement will provide adequate flexibility and funding to protect the gains made through the first five years of the CWELCC agreement, and to sustain parent fees at their current levels, which equates to a continuation of the current average of $19 per day, until December 31, 2026, maintaining affordability for families. Canada and Ontario will continue renegotiation discussions towards a longer-term agreement. As part of this agreement, the Early Learning and Child Care (ELCC) Infrastructure Fund will be extended until December 2026. 2026 funding allocations reflect the one-year extension of the CWELCC agreement. The Ministry of Education will follow up with details on the ELCC Infrastructure Fund allocations.
Chapter 1: Funding Guideline	
137. How has the Ministry of Education revised its approach to penalties for unmet contractual service targets in the Guidelines, and what implications does this have for CMSMs/DSSABs?	For 2026, the Ministry of Education has continued the suspension of penalties for unmet contractual service targets, recognizing the sector's ongoing transition in implementing the CWELCC system. No penalties will be applied for 2025 and 2026, allowing CMSMs/DSSABs to focus on maintaining service levels without the risk of funding recovery. However, CMSMs/DSSABs are still expected to track and report service target data for 2025 and 2026, as this will inform future consultations and potential updates to targets starting in 2027.
138. What do the Guidelines say regarding interim reporting and financial statement submissions by CMSMs/DSSABs, and how do these changes affect their reporting obligations?	As per the Guidelines, the Interim Report submission has been cancelled for 2026, removing the requirement for mid-year reporting. However, CMSMs/DSSABs are still expected to provide their Financial Statements Reporting submission for 2025 by May 29, 2026, and for 2026 by May 31, 2027. The ministry reserves the right to request ad hoc in-year reporting.

Question	Answer
139. What is the ministry's approach to the Ontario Child Care Management System (OCCMS), and how should CMSMs/DSSABs adjust their technology investments accordingly?	The ministry is gradually decommissioning OCCMS over multiple years as it transitions to a new child care and early years IT solution. CMSMs/DSSABs are advised not to invest in duplicative technology systems that replicate OCCMS functions. Instead, they may use administration funding for IT systems that support child care management and do not duplicate OCCMS. It is recommended that CMSMs/DSSABs consult with the ministry before making major IT investments to avoid redundancy and align with modernization efforts.
Chapter 2: Divisions 1 and 2	
140. What change has been introduced to cost-based funding in the Guideline regarding the Provider Compensation Component for home child care agencies, and how does it affect funding calculations?	The guideline introduces a new multiplier in the Provider Compensation Component calculation for home child care agencies. This multiplier is set to 1.2 for: • New active homes contracted by existing eligible agencies on or after January 1, 2026, and • Active homes in new agencies, starting in 2026. For all other active homes, the multiplier remains 1.0. This ensures that newly contracted or newly participating home child care spaces receive enhanced funding, recognizing the additional costs associated with onboarding and supporting new providers.

<table>
<tr><th>Question</th><th>Answer</th></tr>
<tr><td>141. How does the update to the rolling top-up calculation impact funding for CWELCC-eligible children in spaces that have no cost-based funding benchmarks (for example, school aged spaces)?</td><td>The guideline introduces a method for calculating rolling top-ups for existing centres/agencies that received a top-up (legacy, growth, or rolling) in the previous calendar year, but have no licensed capacity for eligible age groups:
For centres with no licensed capacity for eligible age groups (that is, infant, toddler, preschool, kindergarten, or family age), the rolling top-up is calculated by multiplying the previous year’s top-up amount by a factor specified by the Province.
For 2026, the factor is as communicated to CMSMs/DSSABs through the memo accompanying the release of the Guidelines and 2026 allocations, and set at 1.02.
For all other centres/agencies, the rolling top-up is calculated using a rolling top-up ratio, which is consistent with previous versions of the Guidelines:
Provisional: If actual eligible costs for the previous year are not yet known, the ratio divides the sum of all top-ups in the program cost allocation for the previous calendar year by the total benchmark allocation received for that year, including any in-year adjustments.
Final: Once actual eligible costs are known, the ratio divides the difference between actual eligible costs and the benchmark allocation by the total benchmark allocation received for the previous year, including any in-year adjustments.
This change ensures that funding remains responsive to actual cost structures while maintaining accountability. If the rolling top-up ratio is zero, no rolling top-up is provided.</td></tr>
<tr><td>142. Why is there no cost-based funding holdback for 2026?</td><td>The 2026 allocations reflect the one-year extension of the CWELCC agreement, considering an assumed increase in operating capacity from December 2024 levels. For clarity, there is no funding allocated to support full licensed capacity (therefore, there is no 2026 holdback). Please flag any potential funding pressures as soon as possible.</td></tr>
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Question	Answer
143. Are we able to carry forward any unused 2025 allocation and spend it in 2026?	No. The ministry will recover any 2025 allocation that has not been spent by December 31, 2025. The recovery will be processed as part of the ministry's 2025 financial statement review and reconciliation process. Note that 2025 ELCC Infrastructure Funding that was committed by the CMSM/DSSAB by December 31, 2025, can continue to be spent by December 31, 2026.
144. Are there any updates in the Guidelines specifically related to rent for child care operators in government-owned buildings?	The ministry will be in contact with CMSMs/DSSABs that have child care operators operating in government-owned buildings to provide guidance on the technical adjustments required to the rolling top-up for those implicated operators. This adjustment will be incorporated into allocations and communicated directly with the affected CMSMs/DSSABs to support the implementation.
145. How do the Guidelines treat overpayments related to approved one-time, unexpected costs during year-end reconciliation?	The Guidelines state that during year-end reconciliation, CMSMs/DSSABs must subtract the lesser of: • the actual costs incurred, or • the approved amount for those one-time, unexpected costs from the funding provided for those costs. This ensures that only the eligible portion of one-time funding is retained by the licensee, and any excess funding is recovered.
146. What adjustments were made to the 2025 benchmarks to arrive at the 2026 benchmarks?	Cost-based funding benchmarks are reviewed regularly and the benchmarks for 2026 have been updated, including: • Wage-related and home provider benchmarks: the program staffing, supervisor, home visitor, and home provider benchmarks were updated by changing the underlying data for the statistical regressions. That is, wages and provider fees from the 2025 Operations Survey (with data as of end of 2024), were multiplied by an assumed cost escalation (based on Ontario CPI projections for 2025 and 2026 as per the 2024 Budget), plus added policy changes applicable to 2026 (meaning, additional workforce compensation and top-up to new wage floor for program staffing, supervisor and home visitor). Licensed, operating spaces and active homes (as cost drivers) were also updated with the respective values from the 2025 Operations Survey. • All other benchmarks: The accommodations and operations benchmarks (for centres and home agencies) were updated by multiplying the 2025 benchmark by the assumed cost escalation factor.

Question	Answer
147. Where can I find the 2025 benchmarks?	The 2025 benchmarks can be found in the previous version of the Guidelines (in Schedule A of Chapter 2, Division 2: Cost-Based Funding Guideline). Please see the archives for previous versions.
Chapter 3: Division 1, 2 and 3	
148. How will the Canada Disability Benefit (CDB) be treated in the calculation of child care fee subsidy eligibility under the Guidelines? *(subject to regulation change)*	As of May 27, 2025, Ontario announced that Canada Disability Benefit (CDB) payments will not be considered income for the purposes of determining eligibility for child care fee subsidies. This change ensures that families receiving the CDB can access the full value of their benefit without it impacting their eligibility for child care supports. Accordingly, subject to a forthcoming change to O. Reg. 138/15, CDB payments must be excluded from applicants' adjusted income during fee subsidy eligibility calculations. This update aligns with the Province's commitment to supporting families with disabilities and improving access to affordable child care.
149. Chapter 3, of the Guideline says, Pay Equity (PE) is to continue for CWELCC-enrolled licensees that have a historic Pay Equity order and have a current or outstanding proxy obligation. Does this mean that any licensee that has fulfilled their PE obligations can discontinue those payments and just continue them for the ones that have not yet reached PE?	As noted in Chapter 3 of the Guidelines, section 7.2, in order to be eligible for the additional proxy pay equity funding for eligible non-profit licensees, child care programs are required to be enrolled in CWELCC or exclusively serve children ages 6 to 12 and: • Have a proxy order from the Pay Equity Commission; • Have posted pay equity plan(s) based on proxy comparisons; • Have current or outstanding proxy obligations; and • Receive funding through CMSMs/DSSABs to provide child care. Licensees may wish to seek advice from their legal counsel around pay equity obligations (if any). For more information, please refer directly to the provincial *Pay Equity Act* and The Q&A Guide to Ontario's Pay Equity Act.

Question	Answer
150. What is the purpose of the Innovation Fund?	The Innovation Fund is a time-limited funding initiative provided by the Ministry of Education for 2026. It is designed to support CMSMs/DSSABs in developing, enhancing, and implementing innovative strategies to address workforce recruitment and retention challenges in the child care and early years sector. The fund encourages collaboration with local community partners and supports projects that promote equity-based workplaces and sustainable workforce solutions.
151. Is income replacement an eligible expense under the Innovation Fund?	No. Income replacement is not an eligible expense under the Innovation Fund. For example, staff on a leave from their employment who are participating in a diploma/degree granting post-secondary program can not use Innovation Fund funding for income replacement. However, pay to a staff who is backfilling for another staff to participate in activities funded by the Innovation Fund (e.g., professional learning) is an eligible expense under the Innovation fund.
152. What are the rules for covering transportation costs through the Innovation Fund when ECEs travel for professional learning and development?	Any travel/transportation costs being funded under the Innovation Fund by CMSMs/DSSABs must adhere to the OPS Travel, Meal and Hospitality Expenses Directive as well as CMSMs'/DSSABs' policies pertaining to travel and accommodation, where deemed that these policies are applicable by a CMSM/DSSAB.
153. The Innovation Fund Guideline says individuals can only receive tuition support if they aren't eligible for or receiving funding from the Qualifications Upgrade Program (QUP). What is the role of CMSMs/DSSABs in making sure individuals don't receive funding from both programs at the same time?	CMSMs/DSSABs are responsible for ensuring that individuals applying for financial assistance supported by the Innovation Fund are not eligible for or are not receiving QUP funding (for example, CMSMs/DSSABs may require individuals to attest that they are not receiving funding under QUP).

Question	Answer
154. Our CMSM/DSSAB is undertaking ECE promotion activities with funding received under both the Innovation Fund and the ECE Promotional Fund; how does this affect reporting?	The ministry recognizes there may be potential overlap between the Innovation Fund and ECE Promotional activities. CMSMs/DSSABs must track and report data and expenditures (for the purpose of meeting Guideline reporting requirements) for each funding stream separately, ensuring data and expenditures are not double counted. For example, if a CMSM/DSSAB uses both their Innovation Fund allocation and ECE Promotional Fund to support one professional learning activity, the number of individuals supported by the activity and expenditures must be reported separately for each of the two funding streams based on the approved allocations. Note that Innovation Funding can only be spent on ministry-approved activities.
155. The ministry approved our Innovation Fund project even though the cost we projected for this project is greater than our funding allocation. What does this mean? Are we approved to spend over the allocation provided by the ministry?	No. The ministry approved Innovation Fund projects in principle based on submitted descriptions. CMSMs/DSSABs must stay within their Innovation Fund allocation as outlined in the Ontario Child Care and Early Years Funding Guidelines memo and included in Transfer Payment Agreements. CMSMs/DSSABs may choose to use other funding sources for costs beyond their Innovation Fund allocation; however, any major changes to a previously approved Innovation Fund Project will require ministry approval.

Question	Answer
156. One of the Innovation Fund supported projects we proposed fell through and can no longer be implemented. Can we use the funding we earmarked for this non-viable project to enhance/expand one of our other Innovation Fund project(s)?	The Innovation Fund allocation can only be used toward projects that have been ministry approved. CMSMs/DSSABs that received ministry approval for more than one of their proposed projects to be covered under the Innovation Fund may shift funding to another project as long as the following conditions/criteria are met: 1. The new project was approved by the ministry during the Innovation Fund proposal review phase. **AND** 2. The CMSM/DSSAB stays within its **total Innovation Fund** allocation; for Innovation Fund allocations by CMSM/DSSAB, refer to the Ontario Child Care and Early Years Guidelines memo. CMSMs/DSSABs are to ensure that any reporting requirements must be met. Any funding from its Innovation Fund allocation that was unspent by a CMSM/DSSAB will be recovered by the ministry.
157. What is the purpose of the Early Childhood Educator (ECE) Promotional Fund in 2026?	The ECE Promotional Fund for 2026 is intended to support CMSMs/DSSABs in promoting the value, impact, and career opportunities of the early childhood educator profession. The Fund aims to raise awareness, encourage individuals to enter or return to the sector, and support the development of a more inclusive ECE workforce. CMSMs/DSSABs are encouraged to collaborate with community partners to implement initiatives that highlight employment pathways, education options, and professional development opportunities for ECEs.

Question	Answer
158. Will the ministry need to approve activities/projects being planned in our region which would use our allocation under the ECE Promotional Fund?	No. Unlike the Innovation Fund, the ECE Promotion Fund does not require ministry approval on activities/projects being planned by CMSMs/DSSABs. CMSMs/DSSABs are to implement ECE Promotional Fund activities/projects in accordance with their Transfer Payment Agreements and the Guidelines. The ministry acknowledges there may be potential overlap between Innovation Fund and ECE Promotional Fund activities; note that CMSMs/DSSABs must track and report data (for the purpose of meeting Guideline reporting requirements) for each funding stream separately.
159. Can we use our ECE Promotional Fund to expand Innovation Fund-supported promotion/marketing activities?	Yes, CMSMs/DSSABs may use all or part of their ECE Promotional Fund allocation to expand or enhance ECE promotion/marketing that are being funded under the Innovation Fund as long as the following three conditions/criteria are met: 1. The Innovation Fund project that would benefit from the ECE Promotional Fund was previously approved by the ministry. 2. The Innovation Fund project is an “eligible expense” under the ECE Promotion Fund. 3. The CMSM/DSSAB stays within its total allocation for both the Innovation Fund and ECE Promotional Fund.
Chapter 5: Infrastructure	
160. Can CMSMs/DSSABs commit and spend 2025 ELCC Infrastructure Funding in 2026?	CMSMs/DSSABs had until December 2025 to enter into service agreements that committed their 2025 ELCC Infrastructure Funding allocation to licensees/licence applicants. Any pending application for the 2025 ELCC Infrastructure Funding allocation without a fully executed service agreement by December 31, 2025, without exception, are considered uncommitted, and the associated funding must be returned to the ministry. CMSMs/DSSABs can spend their 2025 ELCC Infrastructure Fund allocation up to December 31, 2026, on projects that were committed to in 2025.

Question	Answer
161. Is there any new funding committed towards Start-up Grants and ELCC Infrastructure Fund for 2026?	Both the Start-up Grants and the ELCC Infrastructure Fund continue into 2026, although no new funding is being committed for Start-up Grants at this time. CMSMs/DSSABs have until December 31, 2026, to commit and spend their 2026 ELCC Infrastructure Funding allocation. Any uncommitted and unspent funds must be returned to the ministry.
162. Why do the Guidelines refer to "licensee/licence applicant"? Does this have any implications?	This updated terminology simply clarifies that both current licensees and new licence applicants are eligible to apply for both Start-up Grant and ELCC Infrastructure Fund funding, maintaining consistency with existing practice.
163. Why have the reporting requirements for Start-up Grants and ELCC Infrastructure Fund changed for the Guidelines?	The updates reflect changes introduced through omnibus reporting, which aims to streamline data collection and improve clarity. This approach supports more effective communication of progress to the federal government and aligns with broader CWELCC accountability goals.
Standardized Financial Report (SFR) and Cost Reviews	
164. Do licensees have to use the SFR Excel templates provided by the ministry?	No, licensees are not required to use the Excel templates provided by the ministry. These templates are intended as reference tools only. CMSMs/DSSABs may collect the required information from licensees using either manual or automated systems. Regardless of the method used, CMSMs/DSSABs must ensure that the information collected from licensee meets cost-based funding requirements for SFR.
165. Why do licensees have to attest confirming that cost-based funding has been used in accordance with its intended purpose?	Accompanying their SFRs, licensees must submit an annual attestation, signed by an officer with appropriate signing authority (that is, director or equivalent), to confirm that CWELCC cost-based funding was used in accordance with its intended purpose. This requirement supports accountability and ensures that public funds are used to provide child care to eligible children, in line with the parameters set by CMSMs/DSSABs and the ministry.

Question	Answer
166. What happens if a licensee does not provide the information required through the SFR?	As outlined in Chapter 2, Division 1 of the Guidelines, Part 2.B, licensees must submit financial information, as required by their CMSMs/DSSABs to verify that the funding provided was used for its intended purpose and that financial viability has been maintained (which may include audited financial statements). Licensees should also submit an annual attestation confirming that CWELCC funding has been used in accordance with its intended purpose as required by their respective CMSMs/DSSABs. Additionally, licensees are expected to cooperate with their CMSMs/DSSABs and external auditors regarding compliance and cost reviews. This includes providing all necessary documentation related to cost-based funding, cost calculations, and service delivery.
167. What do CMSMs/DSSABs need to report to the ministry with respect to the SFR? When?	CMSMs/DSSABs must review SFRs submitted by licensees. After the SFR review and implementation of any adjustments to eligible costs, CMSMs/DSSABs can proceed with the year-end reconciliation, by comparing the funding provided to an eligible centre/agency against the eligible centre's/agency's actual cost-based funding for the calendar year. CMSMs/DSSABs must include data collected from licensees and data developed during the year-end reconciliation process in the CMSMs'/DSSABs' SFR submission to the ministry. For more details on CMSMs/DSSABs SFR, see the Standardized Financial Report and Cost Reviews Requirements. CMSMs/DSSABs must submit their SFRs to the ministry by the first Monday in June following the end of the funding year (Monday, June 1, 2026, for 2025). The ministry will communicate details on the transmission (such as email, encryption, upload, etc.) at least one month prior to the deadline.

Question	Answer
168. Is there a template for CMSMs/DSSABs to report the outcomes of the Cost Reviews to the ministry?	As noted in Chapter 2, Division 2 of the Guidelines, Part 3.3, CMSMs/DSSABs are required to review the costs of legacy (for 2025) or existing (for calendar years after 2025) eligible centres/agencies with the most disproportionately high top-up allocations. CMSMs/DSSABs must perform such reviews by following the direction of Part 3.3, and report to the ministry by March 31 following the end of the funding year (Tuesday, March 31, 2026, for 2025). There is no set format for the cost review report. However, as part of the cost review report, CMSMs/DSSABs must include two parts: a summary template for each review performed in the year, and a one set of questions that CMSMs/DSSABs must answer for all cost reviews to provide additional context to the reviews. For more details on CMSMs/DSSABs cost review report, see the Standardized Financial Report and Cost Reviews Requirements.