2024 Canada-wide Early Learning and Child Care System Guidelines

Part II Sector Questions and Answers

January 2024

Contents

Section 1 – Participation

#	Question	Answer
1	Will CMSMs/DSSABs be required to assess financial viability for enrolled licensees each year prior to receiving CWELCC funding?	No, CMSMs/DSSABs are not required to assess financial viability annually. However, they should remain vigilant about ongoing viability issues through budget reviews, financial reporting, and reconciliation processes, and in-year reporting.
2	How can CMSMs/DSSABs financially support changes pertaining to alternate capacity in cases when the alternate capacity is greater than the space allocation for CWELCC?	Under section 1.2, Eligibility, of the 2024 CWELCC Guidelines, it reads: "All licensees participating in CWELCC must maintain existing (pre-CWELCC announcement on March 28, 2022) licensed child care spaces for children ages 0 to 5 (for example, a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the CMSM/DSSAB and the CMSM/DSSAB should determine whether this may result in a funding adjustment or recovery from the licensee". In evaluating the use of alternate capacity, CMSMs/DSSABs must consider whether such changes would lead to the creation of net new spaces, and confirm whether their funding allocation affords financial flexibility from: • The difference between licensed capacity and assumed targeted operating capacity of CWELCC enrolled centres. • De-enrolment such as CWELCC-enrolled licensees that close their operations or opt out of CWELCC in 2024. As well, where a CMSM/DSSAB determines the licensee's operating capacity changes (including changes due to alternate capacity), CMSMs/DSSABs will have the flexibility within their CWELCC allocation to provide additional funding up to the licensee's targeted operating capacity. CMSMs/DSSABs may access additional funding to support enrolment up to full licensed capacity by demonstrating the actual operating capacity obligations of a CMSM/DSSAB surpasses their targeted operating capacity.

#	Question	Answer
3	Why are CMSMs/DSSABs being asked to prioritize the expansion of CWELCC spaces in programs that are not directly operated?	Child care that is directly operated by CMSMs/DSSABs can be more expensive than care by other providers. However, the ministry recognizes that directly operated child care is a vital option for CMSMs/DSSABs to ensure services are provided to vulnerable children in their communities in the event that those needs cannot be met by other operators. Section 1.2, Eligibility, of the 2024 CWELCC Guidelines requires that CMSMs/DSSABs ensure that opportunities for community-based delivery participation are exhausted before direct child care delivery by the CMSM/DSSAB. However, this requirement does not nullify the CMSM's/DSSAB's ability to decline applications for enrolment based on their Directed Growth Plans.
4	Do CMSMs/DSSABs have discretion to accept or decline a licensee's enrollment in 2024 if they had previously opted out of CWELCC?	Licensees that opted out in 2022 and did not choose to enrol in 2023 can apply for enrolment into CWELCC but must align to the region's Directed Growth Plans as well as the Access and Inclusion Framework. As the focus of CWELCC enrolment going forward is creating space in accordance with the region's Directed Growth Plans, CMSMs/DSSABs have the discretion to decline a licensee's enrolment if it is inconsistent with the CMSM's/DSSAB's service plan. Please refer to section 1.2 of the 2024 CWELCC Guidelines for details on licensee eligibility as well as within the Child Care and Early Years Act, 2014 (O.Reg.137/15 s.77.3(2c).
5	When will CMSMs/DSSABs know if the spaces requested in the September 2023 Directed Growth report will be approved?	Space requests submitted as part of the September 2023 Directed Growth reports are being analyzed and a response will be provided in the early months of 2024. Note that at this time the ministry will not be able to approve CMSMs/DSSABs' requests to move spaces from 2025 into 2024 as Ontario's CWELCC funding allocations do not support more spaces opening in 2024 than were previously allocated in the May 2023 memo.

#	Question	Answer
6	Are CMSMs/DSSABs able to move spaces from 2025 or 2026 spaces up to 2024?	Funding allocations for 2024 were provided to CMSMs/DSSABs via the allocation memo which was released on November 30. These allocations do not allow for CMSMs/DSSABs to open more spaces than they were previously allocated given Ontario's overall 2024 CWELCC budget. While CMSMs/DSSABs can move unopened spaces in 2023 into 2024 because they will have the funding to support 2022, 2023 and 2024 space allocations, it is not permissible to move spaces from future years' allocations into 2024.

Section 2 – Accountability (incl. VFM Audits)

#	Question	Answer
1	Will the value-for-money audit be an annual requirement for directly operated programs?	No. At this time, the value-for-money audit is not an annual requirement for directly operated programs. Instead, it is a specific requirement for 2024. The value-for-money audit assesses whether federal and provincial funding is being used efficiently and effectively by directly operated centres, and whether the child care services could be more efficiently offered instead by a third-party provider. The auditor will have recommendations, and the ministry may follow up on the implementation of such recommendations as the Province seeks to achieve value from government funding for the child care sector.

#	Question	Answer
2	Why are only child care centres that are directly operated by CMSMs/DSSABs subject to value-for-money audits? Why is the ministry not doing an audit that includes for-profit and not-for-profit operators?	The ministry recognizes that directly operated child care is a vital option for CMSMs/DSSABs to ensure services are provided to vulnerable children in their communities in the event that those needs cannot be met by third-party operators. However, the ministry also has an obligation to ensure that federal and provincial funding is being used efficiently and effectively, including by directly operated centres. According to one study, the operating costs of the directly operated child care centres were 30 percent higher than the costs of not-for-profit or commercial centres, likely due to higher salary costs. Value-for-money audits are a useful mechanism for conducting this analysis and to determine the potential of any significant long-term benefits in transferring some directly operated programs to third-party providers while maintaining overall service levels.
3	How can transferring directly operated child care programs to third-party providers benefit parents/guardians?	Transferring directly operated child care programs to third-party providers can bring multiple benefits for parents/guardians. For example, by transferring directly operated child care programs to third-party providers, as evidenced by one CMSM/DSSAB, the savings generated from lowered fees can potentially be reinvested into creating more child care fee subsidies. This “stretching” of fee subsidy funding could result in reduced wait lists, enabling more children to access affordable child care. It is important to note, however, that the expectation is that such a transfer would not lead to reduced access to child care services, such as in cases where directly operated child care programs are provided to vulnerable children in communities where those needs cannot be met by third-party operators.

#	Question	Answer
4	How do directly operated child care programs compare in quality to other programs based on research and audits?	While one study suggests that directly operated child care programs are "virtually always of higher quality" relative to third-party programs, it is noteworthy that previous audits have shown that directly operated child care programs only marginally outperform contracted programs in terms of quality. Consideration to quality may be considered by the auditor as part of the value-for-money audit as they assess specific financial and operational aspects of the directly operated child care centres.
5	Are Licensed Home Child Care (LHCC) Agencies that are directly operated by CMSM/DSSABs required to undergo a value-for-money audit?	No, only child care centres that are directly operated by CMSMs/DSSABs must undergo value-for-money audits as outlined in section 2.2.1 of the 2024 CWELCC Guidelines.
6	Will additional funding be provided to complete the value-for-money audits?	The cost of the value-for-money audit can be supported with CWELCC and regular provincial administration funding. No additional funding is being provided. CMSMs/DSSABs may also consider leveraging services from their internal audit groups or their municipal auditor general.
7	Will the ministry provide a sample of what the value-for-money audit entails?	No, the ministry cannot provide samples of what the value-for-money entails. The purpose of the value-for-money audit is to determine whether federal and provincial funding is being used efficiently and effectively by directly operated centres, and whether the child care services could be more efficiently offered by a third-party provider instead. To achieve this purpose, the value-for-money audit relies on independent advice (for example, through third-party services) that assesses specific financial and operational aspects of the directly operated child care centres. While the ministry has provided general guidance on the purpose and intent of the value-for-money audits in the 2024 CWELCC Guidelines, those conducting the audit are best equipped to determine the specific methodologies and procedures required to meet these objectives. We recommend discussing the requirement with your internal audit group or your external auditor.

#	Question	Answer
8	Who will determine value-for-money as a result of the audit? What is the next step? If child care can be delivered more cost-effectively for similar quality, is the expectation that funding be capped or otherwise restricted until the CMSM/DSSAB transitions that funding to another operator?	As outlined in section 2.2.1 of the 2024 CWELCC Guidelines, value-for-money audits will examine whether provincial funding is being used efficiently and effectively by directly operated centres, and whether the child care services could be offered by a third-party provider instead. The scope and parameters of the value-for-money audits for directly operated child care centres will be established by the auditor who is conducting the audit. CMSMs/DSSABs will agree to the terms of the audit scope with the auditor that is completing the value-for-money audit. As per the usual audit engagement process, CMSMs/DSSABs will be responsible for responding to findings and recommendations made by the auditor, including whether the recommendations will be implemented. The rationale for not accepting recommendations should be noted in the management response and posted publicly along with the audit report. Funding will not be withheld or adjusted based on the findings of the value-for-money audit. However, the ministry may follow-up on the implementation of the recommendations received and CMSMs'/DSSABs' management responses.
9	What is the ministry's expectation of CMSMs/DSSABs on the implementation of the auditor's recommendations? For example, what if an auditor identifies that a cost driver for the direct delivery model should be lower to align with the for-profit sector (for example, the wages for staff)?	As noted above, CMSMs/DSSABs have the authority to negotiate the terms of the agreement with the independent third party who is contracted to complete the value-for-money audits. Any recommendations made by independent third-parties should be accepted and implemented, unless there is a defensible and compelling rationale for not doing so (for example, operational feasibility, impact on the ability of the CMSM/DSSAB to ensure access to childcare for underserved, vulnerable and diverse populations as identified in their Directed Growth Plans). The rationale for not implementing the recommendation should be included in the CMSM's/DSSAB's management response and reported publicly for transparency.

#	Question	Answer
10	If a CMSM/DSSAB directly operates most of the child care programs in their service area, what would the value-for-money audit be compared to?	While the ministry may provide general guidelines, those conducting the audit are best equipped to determine the specific methodologies and procedures required to meet these objectives. We recommend discussing the requirement with your internal audit group or your external auditor. With that said, in a service area where the CMSM/DSSAB primarily operates child care programs, the value-for-money audit could be compared to other comparable regions to gain insights into the cost-effectiveness, quality and impact of different service delivery models.
11	Can CMSMs/DSSABs who have previously undertaken a value-for-money audit on their direct delivery of child care services provide the report from this audit instead?	The purpose of the value-for-money audit is to determine whether provincial funding is being used efficiently and effectively by directly operated centres, and whether the child care services could be offered by a third-party provider instead. If the CMSM/DSSAB has previously undertaken an audit and believes the report meets the objectives mentioned above, a copy of the auditor report should be shared with the ministry for confirmation.
12	Can the requirement for audited financial statements replace the annual attestation that licensees may be required to submit to their CMSM/DSSAB?	No, the requirement of audited financial statements is not replaced by the annual attestation. Licensees in receipt of CWELCC funding must submit financial information, as well as audited financial statements to the CMSM/DSSAB to verify that the funding provided was used for the purpose intended. This requirement is independent of any other specific requirements (such as signed annual attestations) that CMSMs/DSSABs may have for licensees.
13	Is there any flexibility in how CMSMs/DSSABs use their CWELCC allocation?	Yes, there is flexibility except for the administration allocation. CMSMs/DSSABs have flexibility to use the funding provided from their CWELCC funding allocations to support fee reductions, workforce compensation, cost escalation and emerging issues, where needed. CMSMs/DSSABs must ensure that adequate funding is available to meet each specific objective.

#	Question	Answer
14	In 2023, some CMSMs/DSSABs had up to 2% funding flexibility in their allocations. Is this still the case in 2024?	In 2023, some CMSMs/DSSABs had up to 2% flexibility in their allocation, primarily to accommodate increases in the number of active homes in LHCC between March 31 and December 31, 2022. However, for 2024, this flexibility is no longer necessary because CWELCC allocations have been adjusted to account for the number of eligible children enrolled in home child care as at December 31, 2022. New active homes opened in 2023 and 2024 count against CMSMs'/DSSABs' Directed Growth targets.

Section 3 – Administrative Spending Guidance

#	Question	Answer
1	The implementation and accountability measures required for CWELCC are labour intensive and the admin funding provided through CWELCC is insufficient. What other options do CMSMs/DSSABs have to address admin pressures needed to successfully implement CWELCC?	We understand the concern about the discontinuation of the one-time transitional grant. The decision to discontinue the grant in 2024 was based on the understanding that CMSMs/DSSABs were given the opportunity and time to adapt to administrative funding changes, find efficiencies and make adjustments. The intent of the one-time transitional grant was to support a transitional period, but as of 2024, it is expected that administrative cost structures have been realigned and that CMSMs/DSSABs can continue their work without this assistance. While the transitional grant is ending, the ministry is committed to working with CMSMs/DSSABs to address any challenges that may arise and to maintain stability in the child care sector.
2	It was previously communicated that CMSMs/DSSABs were able to carry forward any unspent one-time transitional grant funding into "future years." What has changed?	The provision allowing the carry forward of unspent one-time transitional grant funds was intended to provide stability to the sector and was contingent upon the continuation of the program. However, the program has been discontinued starting in 2024. The ministry has granted an extension until March 31, 2024. This extension aims to support the transition, providing CMSMs/DSSABs with an opportunity to use unspent funds. It also underscores the ministry's commitment to facilitating a smooth transition while acknowledging the conclusion of the one-time transitional grant program.

#	Question	Answer
3	What if CMSMs/DSSABs are not able to spend the one-time transitional grant by the new extension deadline of March 31, 2024?	The ministry will recover any one-time transitional grant funding from 2021, 2022, or 2023 that has not been spent by March 31, 2024. The recovery will be processed as part of the ministry's 2024 financial statement review and reconciliation process. No one-time transitional grant funding may be used beyond March 31, 2024. The ministry is committed to transparency and responsible fiscal management, and this recovery process ensures accountability in the use of these funds.
4	Can unspent transition grant funding be used for administration costs? Can CMSMs/DSSABs exceed the 5% cap on administration funding using unspent Transition Grant funds?	CMSMs/DSSABs may continue to use the One-Time Transitional Grant on allowable child care administration expenses and allowable wage enhancement/home child care enhancement grant administration expenses as set out in section 4 and section 9 of the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline, 2023*, to help offset and assist with the required 50/50 administration cost share that was introduced in 2021, **as well as administration expenditures above the 5% administration threshold that was introduced in 2022**. As communicated in the 2024 Allocations memo released on November 30, 2023, we recommend referring to the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline, 2023, for additional details on eligibility criteria and reporting requirements related to One-Time Transition Grant funding. Any unspent funding from 2021, 2022, or 2023 as of March 31, 2024 will be subject to recovery by the Ministry as part of the 2024 financial statement review and reconciliation process. It is important to note that no one-time transitional grant funding may be used beyond this date.

Section 4 – Fee Reduction

#	Question	Answer
1	In March 2022, the ministry indicated that fees would be reduced again in September 2024. Is that happening?	We recommend you plan your annual processes as usual. Any changes will be communicated with enough notice to allow for implementation.

Section 5 – Fee Subsidy – Parental Contribution Reduction

#	Question	Answer
1	It appears that the fee subsidy section of the CWELCC Guidelines is unchanged for 2024. Will there be a rethinking of the 2019 Fee Subsidy expenditure threshold to address anticipated fee subsidy pressures as licensed spaces for 0-5 years are expanded through CWELCC?	The ministry has decided not to revise the funding approach or associated data elements for 2024, including the fee subsidy threshold, to maintain consistency. The ministry is continuing to actively engage stakeholders in the development of the new CWELCC funding approach with the goal of improving clarity and transparency. Should there be any changes to the fee subsidy threshold, these will be communicated along with the other new funding formula content.
2	When can we anticipate alignment between CWELCC and regular child care funding guidelines to address growing needs (e.g., Fee Subsidy, Special Needs Resourcing (SNR))?	The ministry is continuing to actively engage with the early years and child care sector in the development of the new CWELCC funding approach with the goal of improving clarity and transparency. As part of this comprehensive update, the alignment between CWELCC and provincial child care funding guidelines, including aspects such as fee subsidy and Special Needs Resourcing will be taken into consideration and communicated along with the other new funding formula content.

Section 6 – Workforce Compensation

#	Question	Answer
1	The new wage floor and eligibility ceiling quoted in the ministry's announcement dated November 16 are different from those in the 2024 CWELCC Guidelines. Which set needs to be implemented by licensees?	Given timing constraints, the ministry was unable to incorporate the additional support for wages announced on November 16, 2023 into the 2024 CWELCC Guidelines released on November 30, 2023. The increase to the wage floor and eligibility ceiling will be included in updated guidelines so that the ministry can provide funding as quickly as possible. The wage floor and eligibility ceiling changes announced on November 16 will be effective January 1, 2024.
2	If updated guidelines are not released by January 1, 2024, will the workforce strategy funding be retroactive to January 1, 2024?	The wage floor and eligibility ceiling changes announced on November 16 are effective as of January 1, 2024. Funding from the province to CMSMs/DSSABs is expected to flow later in winter, 2024. If operationally and financially feasible, CMSMs/DSSABs can implement these changes on January 1, 2024. Alternatively, CMSMs/DSSABs can delay implementation and make retroactive payments once workforce allocations are received from the province. The other workforce strategy initiatives are being finalized and the ministry will provide information on their eligibility dates in the coming months.
3	Do the 2024 funding allocations cover the new floor and eligibility ceiling? When will the adjustment to the funding allocations be ready?	The current funding allocations will require an adjustment to support the new floor and eligibility ceiling effective January 1, 2024. The ministry appreciates this is not ideal, but the ministry did not want to delay releasing the 2024 allocations. The ministry does not yet have a date for the release of the adjustment.

#	Question	Answer
4	When will the Workforce Strategy be fully implemented?	The Workforce Strategy initiatives will be implemented in a staged approach. To start, the ministry is planning to provide more funding and updated guidelines to support the wage enhancements announced on November 16. This will be followed by funding to support professional learning as well as the introduction of an Innovation Fund. Additional supports will also be rolled out in 2024 that include: dual credits programs, reduction of red tape, improving transparency and providing support for career laddering and entry into the profession.
5	When will CMSMs/DSSABs receive allocations for the various pieces of the Workforce Strategy?	The Workforce Strategy initiatives will be implemented in a staged approach. To start, the ministry is planning to support the wage enhancements announced on November 16. The corresponding funding allocations are expected in the coming months, followed by funding for professional learning as well as the introduction of an Innovation Fund.
6	The Wage Compensation section of the 2024 CWELCC Guidelines indicates that base wages are determined by the employer and must include any employer-based wage improvements such as obligations from collective agreements and minimum wage increases. Would this also include mid-year increases as per the licensee's wage grid for non-unionized child care staff?	The wage floor and annual $1 per hour increase are effective January 1, 2024, and should consider the base wage on December 31, 2023. If a mid-year wage increase is provided, this should be considered on top of the wage increases that took effect on January 1, 2024.
7	Under section 6.2.6, Order of Operations, of the 2024 CWELCC Guidelines, it states: "CWELCC annual wage increases of $1 per hour, compounded year over year, up to $25 per hour." What is meant by this? Is it that a RECE is entitled to $2 per hour in wage compensation in 2024 if earning below the $25 per hour wage cap for CWELCC?	The first annual $1 per hour increase came into effect on January 1, 2023. The next $1 per hour increase comes into effect on January 1, 2024. Therefore, the compounded increase would be $2 total including $1 for 2023 and $1 for 2024.

#	Question	Answer
8	The cap for Wage Enhancement Grant (WEG) has increased in 2024 to $30.58 per hour for all program staff in licensed child care (including non-qualified ratio staff). Why then is the CWELCC Wage Compensation cap for RECEs capped at $25?	Retention and recruitment of a high-quality child care and early years workforce is critical to Ontario's success in implementing the CWELCC system. The recruitment of additional qualified professionals will help achieve system growth and ensure increased access to high quality licensed child care in Ontario. With the Workforce Strategy announcement on November 16, 2023, we will continue building on the WEG and the current workforce compensation under CWELCC to further improve wages of RECEs. In 2024, the eligibility ceiling for the annual $1 increase will increase for eligible RECE program staff to $26 per hour and $29 per hour for Supervisors and RECE Home Child Care Visitors. The eligibility ceiling will then increase by $1 per hour each year up to 2026. The eligibility ceiling is not a wage cap. Employers can choose to pay RECE wages above the eligibility ceiling.

Section 7 – Cost Escalation

#	Question	Answer
1	We heard from operators in government-owned buildings and in schools that their rent is going up. How are they supposed to cover these increased costs?	The ministry understands that licensees may face escalating costs, including rent increases that are beyond their control. To address this, the ministry has allocated approximately $235 million for cost escalation funding to support licensees with inflationary pressures that will be provided by CMSMs/DSSABs. In addition to cost escalation funding, there is an additional $75 million allocated to support emerging issues for enrolled licensees within the child care sector. Licensees that find their revenue for eligible spaces (including routine funding, fee reduction, wage enhancement, workforce compensation, cost escalation and parent fees) is insufficient to support non-discretionary costs, which may include rent increases, can access this funding from CMSMs/DSSABs. CMSMs/DSSABs are required to implement a fair and transparent process (such as through an application) to allocate emerging issues funding to licensees that demonstrate this need.

#	Question	Answer
2	What does the 4.91% compounded cost escalation amount represent? How was 4.91% calculated?	The compounded cost escalation for 2023 and 2024 is 4.91% which includes the following: • 2.75% cost escalation for 2023, and • 2.1% cost escalation for 2024. For example, if the amount in 2022 was $100, to bring that to 2024 terms we add the following cost escalation: • 2.75% x $100 = $2.75 cost escalation in 2023 • 2.1% x ($100 + $2.75) = $2.16 cost escalation in 2024 • Total cost escalation for 2023 and 2024 compounded is $4.91
3	Why was the compounded amount of 4.91% not provided on the general operating grant component of the cost escalation? It still appears to be 2.1%.	As outlined in section 7.3 of the 2024 Canada-wide Early Learning and Child Care Guidelines, the compounded cost increase of 4.91% is to be applied to capped base fees as of March 27, 2022 (components A, B and C of the formula), to bring them from 2022 to 2024. That is: • 2.75% for 2023 cost escalation, and • 2.1% for 2024 cost escalation. For the General Operating Grant component, the cost escalation is being applied to the 2023 General Operating Grant for children 0-5 years old (component D of the formula). Since this amount is from 2023, 2.1% cost escalation needs to be applied for 2024 cost escalation (2023 cost escalation of 2.75% should already be included in the General Operating Grant for 2023).
4	Regarding the CWELCC cost escalation calculation on page 41 of the 2024 CWELCC guidelines, it states that D is the licensee's General Operating Grant for 2023 to support children aged 0 to 5 years old only, where applicable. Can you confirm if we are to use the General Operating amount that we calculated last year that includes the 2.75% CWELCC increase?	Yes, that is correct. The licensee's General Operating Grant for 2023 to support children aged 0 to 5 years should have included the 2.75% cost escalation factor. That is why, for 2024 purposes, only the 2.1% escalation factor for 2024 applies to 'D' in the calculation.

Section 8 – Emerging Issues

#	Question	Answer
1	Why are not all child care expenditures eligible for emerging issues funding?	The guideline policy aims to ensure that emerging issues funding is directed towards addressing non-discretionary cost pressures which are beyond the licensee's control. The policy is designed to promote transparent and accountable use of funding. The eligibility criteria for expenses provided under Section 8 of the 2024 CWELCC Guidelines is to ensure that funding is directed towards addressing critical needs that are not within the licensee's discretion. It is not meant to force changes in business practices but rather to provide support for expenditures that meet these specific criteria.
2	Allocating $75M for emerging issues may not fully cover sector needs as it only represents 2% of the total allocation (or 3.5% of CWELCC allocation). Will there be an opportunity to secure more funding if requirements exceed this allocation?	While the $75M may represent a smaller percentage of the overall CWELCC allocation, it is important to note that emerging issues funding is primarily designed to address non-discretionary cost pressures for licensees. The allocation serves as dedicated funding to assist in managing critical and unexpected expenses. Additionally, the ministry is actively working to gain an early understanding of the uptake of this funding. As such, CMSMs/DSSABs are required to report funding commitments by February 5, 2024 (using the latest available information). Timely reporting will inform the ministry's assessment of the sector's emerging issues costs, which in turn will inform strategies to support program sustainment (for example, such as in finalizing a cost-based funding formula).

<table>
<tr><th>#</th><th>Question</th><th>Answer</th></tr>
<tr><td>3</td><td>Under the Emerging Issues Funding of the 2024 CWELCC Guidelines, it is stated that to help provide stability, CMSMs/DSSABs must prioritize (but not limit) approval of emerging issues funding to licensees that demonstrate financial viability.

What is meant by demonstrating “financial viability” if the operating costs that are out of the control of the licensee exceed all available revenue sources?</td><td>There may be situations where costs exceed revenues. In the context of “demonstrating financial viability” for the purposes of receiving emerging issues funding, this means the licensee has a clear and sustainable financial plan to manage unexpected and non-discretionary costs without compromising ongoing operations.

To demonstrate financial viability in this context, this may mean determining financial viability based on the licensee demonstrating:
• A clear financial strategy or plan even if it includes the need for one-time emerging issues funding or cost-saving measures to bridge the gap between a licensee’s available resources and non-discretionary costs that may not have been budgeted for
• Evidence of a plan to recover from the gap between expenditures and revenues, over time, where applicable.</td></tr>
<tr><td>4</td><td>The 2024 CWELCC Guidelines indicate that costs incurred while providing child care services to eligible children; where services are also provided to ineligible children (such as children aged 6 to 12), costs must be prorated using a reasonable method. How will the prorated costs for school-age programs be covered?</td><td>Non-discretionary costs for programs for children aged 6-12 years may be covered through regular business practices (e.g., general operating funding, ELCC or through parent fee increases).</td></tr>
<tr><td>5</td><td>In Schedule D of the TPA, there is a funding line entitled “Emerging Issues Funding Allocation (January to March).” Must this funding be spent by licensees before March 31, 2024?</td><td>As the funding is provided under the 2024 transfer payment agreement, CMSMs/DSSABs can use this funding to support licensees throughout the year. Licensees have until December 31, 2024, to use this funding.

The ministry will flow this portion of the emerging issues funding to CMSMs/DSSABs from January to March 2024. This portion of the emerging issues funding is being provided earlier in the year to ensure CMSMs/DSSABs have the means to cover licensees’ immediate pressures.</td></tr>
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#	Question	Answer
6	The 2024 consumer price index shows higher inflation rates than what the ministry allocates to the child care sector. How are licensees supposed to operate if inflation outpaces ministry allocations?	The emerging issues funding provides support to address non-discretionary cost pressures, allowing licensees to manage operational expenses and necessary repairs that surpass the cost escalation. This additional funding thereby ensures the continued provision of child care services despite the challenges caused by increasing inflation.
7	Some licensees have pedagogical leads supporting their programs which were in place prior to March 27, 2022 and are described in their program statement as foundational to program delivery. Are these costs eligible to be covered through the emerging issues fund to address wage increases or should they be covered through another funding line?	The eligibility criteria for expenses under Emerging Issues Funding expenses is to ensure that funding is directed towards addressing critical needs that are not within the licensee's discretion. Where licensees have pedagogical leads supporting their programs which were in place prior to the introduction of CWELCC, these expenditures should continue to be funded using regular provincial funding. CMSMs/DSSABs have flexibility to use provincial funding to support the provision of child care based on local priorities based on the parameters set out in the 2024 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline.
8	Should accommodation increases be applied to base funding instead of using emerging issues funding?	The ministry understands that licensees may face escalating costs, including accommodation increases, that are beyond their control. To address this, the ministry has allocated approximately $235 million for cost escalation funding to support licensees with inflationary pressures that will be provided by CMSMs/DSSABs. Funding to support cost escalation is included as part of the “Fee Reduction and Workforce Compensation” allocation. The ministry is also providing emerging issues funding to further support licensees in addressing non-discretionary cost pressures. CWELCC-enrolled licensees can use this funding exclusively for addressing non-discretionary cost pressures (that is, those beyond the licensee's control).

#	Question	Answer
9	Can emerging issues funding be used for CMSMs/DSSABs to conduct their value-for-money audits?	The ministry has provided emerging issues funding to support licensees in addressing non-discretionary cost pressures. CWELCC-enrolled licensees can use this funding exclusively for addressing non-discretionary cost pressures (that is, those beyond the licensee's control). The costs for value-for-money audits would not be considered non-discretionary. The cost of the value-for-money audit can be supported with CWELCC and regular provincial administration funding.

Section 9 – Start-up Grants

#	Question	Answer
1	The 2024 CWELCC Guidelines indicate that start-up grants cannot be used for school-based child care spaces. This will continue to be a barrier to meeting the Directed Growth targets. What is the rationale for this policy? What other options do licensees have to support the development of new spaces for ages 0-4 in schools (outside of the capital priorities process)?	Child care spaces in centres located in schools cannot be supported using start-up grants because school-based spaces are tracked and funded separately by the ministry. While start-up grant funding is not available, CWELCC Directed Growth allocations for community-based spaces can be used to fund operators in schools. We recognize that a lack of infrastructure, particularly in rural and northern areas, is a barrier to meeting space creation targets, particularly for not-for-profit operators. Feedback on the barriers and costs of space creation is very helpful as the ministry works with federal partners to negotiate the parameters of the recently announced Early Learning and Child Care Infrastructure Fund.
2	Are CMSMs/DSSABs permitted to support Directed Growth expansion of Indigenous-led child care programs (previously approved through Journey Together proposals) through their CWELCC allocations?	Yes, provided that the expansion of these programs aligns with the CMSM's/DSSAB's Directed Growth Plan. Directed Growth Plans must address improving access to childcare for underserved and diverse populations, including Indigenous children and families.

Appendix A: CWELCC Funding Allocations Technical Paper

#	Question	Answer
1	The ministry's [memo from September 2023]() indicated that revenue replacement would continue "for at least the first eight months of 2024" despite our receiving annual allocations. Should CMSMs/DSSABs carve out eight months of licensees' allocation, both CWELCC and core child care funding in 2024, for expenses incurred up to August 31, 2024?	The ministry communicated the 2024 funding allocations that align with the municipal fiscal year. We recommend planning annual processes as usual. Any changes will be communicated with enough notice to allow implementation.
2	In March 2022, the ministry indicated that fees would be reduced again in September 2024. Is this still happening?	Details on further fee reductions for parents/guardians will be released at a later date.