2025 Cost-Based Funding Guidelines – Questions and Answers

Release 2: October 2024

Links to Previous Q&A Releases: [2025 Cost-Based Funding Guidelines – Questions and Answers (July 2024)]

Contents

Question	Answer
Key Clarifications	
49. In the calculation of legacy costs, specifically in step 1e adjustment, should the 2023 salary and benefits include other forms of compensation, such as dividends in lieu of salary?	Yes. In 2023, some legacy centres/agencies may have provided dividends or other benefits in lieu of salary to controlling owners who contribute labour to the operation of their child care businesses. Since these forms of compensation are not eligible costs under the Cost-Based Funding approach, they are excluded from the calculation of a legacy centre's/agency's legacy top-up. However, the Cost-Based Funding approach is intended to recognize an amount of the controlling owner's compensation for labour. As such, the first bullet point of Step 1e in the CWELCC Cost-Based Funding Guideline (pg. 30) will be revised to make this clear, and will reflect the following type of adjustment in bold: "The 2023 **compensation for labour** for the one controlling owner employed by the licensee, **including the salary and benefits** subtracted in step 1a, **and dividends in lieu of salary,** multiplied by the cost escalation factor of 1.0465 as described in step 1b." An updated version of the Legacy Cost Estimator will be issued and will make this aspect clear in the calculations.

Question	Answer
50. How are costs funded for eligible children (0 to 5) in mixed age groups or in a school age room under CWELCC system?	In general, the Cost-Based Funding approach provides support through benchmarks that are based on the age-group of spaces, not the age of the enrolled children (note: please see question 6 in the Qs and As released on August 15, available here). This keeps the calculation as simple as possible under Cost-Based Funding, and recognize that eligible centres may not know in advance the ages of enrolled children throughout the year. There are no benchmarks for "ineligible age group" spaces (that is, primary/junior school age or junior school age), even when CWELCC-eligible-children are placed into such spaces using mixed-age groups. In such situations, a legacy top-up may be calculated to cover "legacy cost structures" for legacy centres. The 2025 CWELCC Cost-Based Funding guideline will be updated to clarify that **if mixed age groups are used whereby eligible children are enrolled in ineligible age group spaces (that is, primary/junior school age or junior school age), the operating scaling factor may include equivalent parameters, but only in respect of eligible children enrolled in such spaces by the legacy centre.** Also, note that ineligible children may be in eligible spaces, but Cost-Based Funding guidelines specify that funding is based on the actual costs incurred for eligible children and spaces. If a space is occupied by both eligible (age 0 to 5, or who turns 6 before June 30th) and ineligible children (age 6 to 12), a reasonable methodology to split eligible costs (that is, those attributable to the provision of child care included in the base fee) from ineligible costs must be employed. Going forward, new or expanding centres/agencies can use the tools provided by the ministry (such as the CWELCC cost-based child care funding estimator) to determine funding specific to the age groups on their licences under the Cost-Based Funding Approach.

Question	Answer
General	
51. What tools are available for CMSMs/DSSABs and licensees to review the impact of the Cost-Based Funding Approach?	As detailed in recent memos from the Ministry of Education to Child Care Licensees, to support implementation of the new cost-based approach to Canada-wide Early Learning and Child Care (CWELCC) funding, starting 2025, the ministry has shared: • A new CWELCC Cost-Based Funding Guideline, effective January 1, 2025; • Online webinars that provide a high-level walk-through of the new approach through representative case examples (please refer to the August 15th memo for the appropriate online links); and • the Cost-Based Child Care Funding Estimator (an online tool available at https://ontario.ca/cost-based-child-care-funding-estimator/) and Legacy Cost Estimator (Excel documents provided September 11th, 2024) for all licensees to estimate their Cost-Based Funding allocations for 2025. We strongly encourage all operators review the supporting materials, to utilize the tools provided, and consult with their CMSMs/DSSABs in order to make decisions based on the best information possible.
52. What about the other Guidelines:	In addition to the 2025 CWELCC Cost-Based Funding Guidelines, the ministry is updating the funding and supporting guidelines for 2025. While there will be a great deal of consistency between the content of the 2024 and 2025 guidelines, they will be re-organized and updated to reflect the new Cost-Based Funding Approach. Detailed information on funding guidance, local priorities funding, fee subsidies, and other elements will be provided in the coming weeks as part of the remaining 2025 funding and supporting guidelines for CMSMs/DSSABs.

Question	Answer
53. Can any portion of the 2024 one-time administrative grant be rolled into Q1 2025 as it may be difficult to spend this funding by the end of 2024?	The 2024 one-time administrative grant cannot be carried forward into 2025. Any 2024 administration allocation not spent by December 31, 2024 or funding not used for its intended purpose will be recovered by the ministry as per the ministry's financial accountability process.
Definitions, formula design and calculations	
54. Can the allocations provided under Start-up Grant be used during 2024 and beyond?	The goal of Start-up Grant allocations for 2024 and 2025 is to accelerate space creation in Ontario. The 2024 Start-up Grant allocations include funding to support the creation of all the community-based spaces included in the 2024 targets and 50% of the same type of spaces in the 2025 targets. Similarly, the 2025 Start-up Grant allocations include funding to support the creation of the other 50% of the community-based space in the 2025 targets (bringing the two-year total to 100%) and 100% of the same type of spaces in the 2026 targets.
55. Could we use 2025 Start-up Grant funding toward CWELCC Cost-Based Funding?	No, please see section 9.4.1 of the 2024 Canada-Wide Early Learning and Child Care Guidelines for information on the treatment of unused funding for Start-up Grants.

Question	Answer
56. How does cost-based funding work for extended hours, or half-day or before and after school programs?	Benchmarks apply to all programs (this is, full-day, part-time day, before or after school) that the licensee is choosing to operate. By design, about half of the legacy centres/agencies will have their eligible costs fully covered by their benchmark allocations. Where a legacy centre/agency finds that the benchmark allocation will not fully cover their eligible costs, they should work with their CMSM/DSSAB to calculate a legacy top-up. New centres/agencies will receive a growth top-up in addition to their benchmark allocation. On the revenue side, an eligible centre's/agency's Program Cost Allocation plus Allocation in Lieu of Profit/Surplus is offset by the Expected Base Fee Revenue for the calendar year to be earned from families, or others on behalf of families (including fee subsidies). In this offset, the CMSMs/DSSABs must include all fees expected to be collected in respect of the operating space per service day, including one-time mandatory fees.

Question	Answer
57. Do CMSMs/DSSABs have the flexibility to reduce operator allocations if, for example, the operator does not pay rent.	In some instances, the benchmark components may appear to underfund or overfund some categories of expenses. This is partly why the Cost-Based Funding is a ‘global’ allocation (not a line-by-line grant). Eligible centres/agencies will have the flexibility to incur eligible costs as they need to (up to the Program Cost Allocation) and, after the end of the calendar year, CMSMs/DSSABs will reconcile the funding provided against the eligible centre’s/agency’s actual eligible costs for the calendar year and recover any overpayments. As per page 38 of the CWELCC Cost-Based Funding Guideline, the reconciliation of Cost-Based Funding Allocations can be performed periodically throughout the calendar year to identify overpayments for cash management purposes and avoid the recovery of significant actual overpayments on reconciliation at year-end. Recovering in-year overpayments must not reduce an eligible centre’s/agency’s potential maximum funding for the calendar year (unless the licensee agrees to a lower Cost-Based Funding allocation for an eligible centre/agency). The CMSMs/DSSABs that recover in-year overpayments may use such recoveries to increase their funding flexibility and reallocate to eligible centres/agencies as needed.

Question	Answer
58. How would the formula work if a licensee plans to switch age groups during the day using their alternate capacity?	If the licence permits using the same room for different age groups at different times of day, only one service day can apply per space (as the space is being used in the same 24-hour period). To calculate the benchmark allocation, the age group listed as licensed capacity applies to fixed cost components. For variable cost components, the age group listed either as licensed capacity or as alternate capacity could be apply. Note that while younger age groups have greater benchmarks, they also typically have fewer spaces (meaning, such benchmarks do not necessarily mean a greater allocation). CMSMs/DSSABs can be conservative as long a rationale for the decision is sound and follows the Guideline principles. Finally, CMSMs/DSSABs must ensure that the cost-based allocation calculation includes all expected parent fees as part of the Expected Base Fee Revenue Offset.
59. If the same controlling owner operates multiple child care businesses (e.g., under different business names), can they claim multiple owner's compensation for labour? For example, if one person owns three different businesses and each of the businesses operates one child care site, is it permissible for this same person to earn salary and benefits as a controlling owner for each of the three businesses?	The controlling owner's compensation for labour is only to be added to the legacy cost once per licensee, including licensees with more than one eligible centre/agency or licensees with more than one controlling owner. Further, while owners may end up claiming more in salary than the amount added to the legacy costs for the purposes of their program cost allocation, upon reconciliation such costs will be subject to the accountability framework and evaluation of cost eligibility: attribution, appropriateness, reasonability.

Question	Answer
60. In the past, if additional WEG funds were needed, the province was able to provide additional funding to CMSMs/DSSABs. Will that still be an option for the portion of this grant covered in Local Priorities funding?	Under CWELCC Cost-Based Funding, WEG/HCCEG funding for staff providing services to 0-5 children has been reinvested into Cost-Based Funding allocations and the enhancements are included in the program staffing and supervisor benchmarks for centres, and home child care visitor benchmark for home agencies. In this case, the concept of notional allocation for this segment is no longer applicable. WEG/HCCEG funding for ages 6-12 is in Local Priorities allocations.
61. What are the hourly wage maximums that apply for 2025 wage enhancement grant (WEG) and for Home Child Care Enhancement Grant (HCCEG)?	WEG's wage cap for 2025 is $32.81 per hour; and HCCEG's cap is $328.10 for full day (that is, $32.81 per hour X 10 hours) and $196.86 for partial (that is, $32.81 per hour X 6 hours). These amounts will be included in the forthcoming 2025 guidelines.
Local Priorities	
62. Is ELCC funding included in the local priorities funding?	The Local Priorities allocation does not include any ELCC funding. However, the child care portion of ELCC funding has been incorporated into the Cost-Based Funding and CMSMs/DSSABs administration.
63. Are CMSMs and DSSABs permitted to support operators who are not enrolled in the CWELCC system and serving children 0 to 5 with the local priorities funding	CMSMs/DSSABs must not directly fund licensees not participating in CWELCC who provide services to children aged 0-5 (that is, who do not exclusively serve children aged 6-12), except for existing fee subsidies. That said, CMSMs/DSSABs may use local priorities funding to support initiatives that do not involve direct funding to ineligible licensees, but that may provide indirect benefit to licensees not participating in CWELCC who provide services to children aged 0-5 (for example, special needs resourcing or capacity building consultation or training opportunities).

Question	Answer
64. Effective January 1, 2025, new purchase of service agreements for fee subsidy will no longer be available for licensees not enrolled in CWELCC. Does this policy also apply to Indigenous-led programs?	Licensees who currently receive Indigenous-led funding will continue to receive Indigenous-led funding in 2025. However, it must be noted that for licensees enrolled in CWELCC, as per Section 3.1 of the CWELCC Cost-Based Funding Guideline (pg. 42), costs funded by another public source (such as Indigenous-led funding in this case) are not eligible costs for the purpose of calculating the CWELCC costs-based funding (that is, no “double dipping”).
Fees	
65. Under what circumstances can CMSMs/DSSABs provide fee subsidies?	All families that are currently receiving fee subsidies should continue to do so and should see no disruption in their services or subsidies, including those in a non-CWELCC participating child care program. Existing fee subsidy agreements may continue to be funded until the benefiting child ages out of the program or leaves the licensee. Children aged 0-5 in families newly qualifying for fee subsidy must be placed in eligible centres/agencies (that is, those participating in CWELCC). Children aged 6-12 in families newly qualifying for fee subsidy must be placed with licensees participating in CWELCC or licensees with programs servicing exclusively children aged 6-12.
66. Will there be any reductions to fee subsidy parent contributions as part of the new fee reduction?	To ensure an equitable fee reduction is applied to families receiving child care fee subsidy, CMSMs/DSSABs were required to reduce the parental contribution for eligible children by 50 per cent in 2024 as described in the 2024 Canada-wide Early Learning and Child Care Guidelines and O.Reg 138/15. Information about future fee subsidy contributions will be provided in the coming months as part of the remaining 2025 funding guidelines for CMSMs/DSSABs and forthcoming regulatory changes associated with the next fee reduction.

Question	Answer
67. Would the $22 base fee step down relate to core service hours (half-day, full-day use) and extended optional care hours?	The ministry consulted on the regulations necessary to achieve the additional fee reduction announced for January 1, 2025 on the Ontario Regulatory Registry. The consultation period ran from August 15, 2024 to October 1, 2024. The ministry is currently in the process of reviewing and analyzing submissions received.