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

Release 4: March 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)

Contents

Question	Answer
General (Recalibration)	
114. Will spaces allocated for 2026 that are delayed until early 2027 still count towards the 2026 targets? **If not, will there be any funding implications for start-up grant funding?**	No. Under the CWELCC Agreement, Ontario has an obligation to create 86,000 net new spaces by December 31, 2026. To confirm that the commitment is met, the ministry will follow the current space tracking process based on CMSMs'/DSSABs' regular confirmation of site-level participation in CWELCC (in this case, as of December 31, 2026), with the ministry's count of spaces based on authoritative data (licensed spaces in CCLS for eligible age groups in participating centres and children enrolled in participating home agencies as reported in the annual Licensed Child Care Operations Survey) for all such sites. With respect to Start-up Grant funding, the terms and conditions of the 2026 transfer payment agreement between the ministry and CMSMs/DSSABs, and alignment with Chapter 5 of the Guidelines, will prevail. CMSMs/DSSABs should execute their space creation plans against provided targets and funding allocations.
115. Can operators request additional spaces in a school beyond the already approved CWELCC space allocation? If so, will there be ongoing operational funding to support this increase?	Due to limited funding for CWELCC spaces, additional space requests are not being considered at this time. However, to achieve the target of 86,000 net new spaces for Ontario, CMSMs/DSSABs can shift spaces between settings and age groups, provided their overall space creation targets are met and cost-based funding expenditures remain within their allocations. For example, shifting spaces from community-based to school-based settings (typically less expensive) can increase financial flexibility, allowing accommodation of younger age groups (typically more expensive); whereas, shifting spaces from school-based to community-based setting could reduce financial flexibility or even create a financial pressure. For clarity, if a CMSM/DSSAB cannot create school-based spaces due to delays in school-based projects, the CMSM/DSSAB could create community-based spaces instead as long as its cost-based funding expenditures remain within its allocations and its net new spaces within its overall space creation target.

Question	Answer
116. Will the Ministry provide additional funding for approved school-based projects completed in 2027?	Regarding space requests for school-based projects that will create spaces beyond the end of 2026, the ministry currently has no information to share.

Question	Answer
General (Base Fees)	
117. How should CMSMs/DSSABs determine whether a fee is a base fee or not within the $22/day fee cap?	"Base fee" is defined in O. Reg. 137/15 as any fee or part of a fee that is charged in respect of a child for child care, including anything a licensee is required to provide under the regulation or anything a licensee requires the parent to purchase from the licensee but does not include a non-base fee. If a fee fits this definition, it is a base fee and must follow the rules set out in the regulation for base fees. This applies even if a licensee labels the fee as "optional". Under this definition, any fee for the provision of licensed child care is a base fee. This applies even when programs organize their day into different options (for example, before care, core day, after care, extended hours) and charge different fees based on the options a parent/guardian chooses. The service being offered in all of these program options is licensed child care, and therefore, any fee is still a base fee. If licensees would like to charge differentiated fees based on the program options that parents/guardians select (for example core day alone is cheaper than a core day and after care), they need to ensure that no parent/guardian is charged more than $22/day in respect of their eligible child, regardless of the length of time the child is in care during the day. This applies even in situations where there is a significant difference between the program options (for example, half-day program vs overnight care). In addition, any fee charged for a service or item that the regulation requires licensees to provide is also a base fee. For example, most licensees are required to provide meals under O. Reg. 137/15. They can choose to charge a separate fee for meals, but the fee is still considered a base fee and must be calculated when considering the cap of $22/day. It is the licensee's responsibility to ensure they are complying with the regulation, and any licensee who is unsure whether a fee should be categorized as a base fee or not should be directed to consult with their program advisor.

Question	Answer
118. Can CMSMs/DSSABs eliminate base fees not included in daily rates, such as registration fees or key fob rates?	Licensees continue to have the flexibility to define fee structures that work best for their programs, but in accordance with O. Reg 137/15, they must ensure that no parent/guardian is charged more than $22/day in respect of their eligible child and must consider all base fees. O. Reg. 137/15 does not prohibit licensees from charging one-time mandatory fees not reflected in daily base rates, such as registration fees. As of January 1, 2025, under recent amendments to O. Reg. 137/15, CWELCC-enrolled licensees will be required to consider all mandatory fees charged to parents/guardians when calculating the overall base fee (this includes all costs parents/guardians are required to pay, such as registration fees and any other one-time or recurring fees) in determining whether they are compliant with the cap of $22 per day. Fees that are not charged as part of a daily fee (such as one-time registration fees) will be allowed to be spread ("amortized") over the number of service days in the calendar year in which they are charged (aligned with the new cost-based funding approach) to determine the impact on the overall base fee. For example, a one-time fee of $500 in a year with 250 service days would contribute $2 towards the cap of $22 per day. This ensures that overall parent fees do not exceed the maximum daily fee limit set out in the regulation. For clarity and to ensure equity, new centres/agencies will be allowed to use the number of service days in a typical calendar year. The ministry recommends that CWELCC-enrolled licensees consider moving away from charging registration fees separately from the daily base fee, as this aligns with the cost-based funding approach and reduces the administrative burden for licensees. However, there is no restriction that prevents licensees from charging registration fees and other one-time fees. These fees are offsets for funding under the cost-based funding approach as they are base fees.

Question	Answer
CWELCC Cost-Based Funding (Chapter 2, Division 2)	
119. What expenses related to loans (principal, interest, and amortization) are eligible under CWELCC cost-based funding?	As per Chapter 2, Division 2, CWELCC Cost-Based Funding Guideline, CWELCC allocations do not include specific funding for capital renewal (such as major repairs and replacement builds) or expansion. The principal amount of a loan is also not eligible under cost-based funding. However, interest on third-party loans is considered eligible when loans are directly related to non-recurring eligible costs if there is a contractual obligation that establishes interest and repayment requirements. Eligible financing costs must not exceed those stemming from interest rates in alignment with the Canada Small Business Financing Program rates (for example, prime plus 3% for term loans and prime plus 5% for lines of credit). Finally, amortization expenses would be eligible costs if the related asset, which would have had to meet the eligibility principles (that is, attributable, appropriate, and reasonable), was purchased before the announcement date and not claimed as an eligible expense under the previous/other government funding, including CWELCC funding. In addition to the criteria related to capital expansion in the Cost-Based Funding Guideline, the ELCC Infrastructure Fund has guidance related to infrastructure projects as per Chapter 5 of the guidelines.

Question	Answer
120. Do operators have to account for expenses related to vacant rooms within their legacy costs?	As described in Chapter 2, Division 2, to be eligible for CWELCC cost-based funding, all costs must be attributable to the provision of child care included in the base fee for eligible children (as noted in the definition of 'eligible costs'). This also applies to the calculation of legacy costs for an eligible centre/agency. For example, for the calculation of legacy costs, if an operator removes (previously in-use) spaces from their licence, but keeps the (now vacant) rooms, then related accommodation costs would no longer be eligible as they are not attributable to the provision of child care. For the purposes of legacy costs, Chapter 2, Division 2, Step 1a identifies that accommodation costs are subtracted from **total eligible costs** (including for previously in-use rooms), and Step 2d adds current **equivalent costs** (which would not include the now-vacant rooms) into the adjusted costs from Step 1a. CMSMs/DSSABs should consult with operators if there are uncertainties with the eligibility of certain costs to minimize financial reconciliation.
121. Are ongoing fees that child care franchisees are required to pay (for example, "royalty fees") an eligible expense?	As outlined in Chapter 2, Division 2, franchise fees are eligible under cost-based funding if incurred for the purpose of operating an eligible child care centre/agency and necessary to that operation or if an ordinarily prudent person in the operation of a comparable child care business would incur such a fee. This includes ongoing fees required of franchisees that meet the same criteria and meet the principle-based definition of eligible costs under cost-based funding. Royalty fees that are meant to remit benefits unlinked to care (e.g., profit) to the franchise owner are not eligible as they are not attributable to the provision of child care.

Question	Answer
122. If a licensee's current rental agreement ends mid-year in 2025 and they do not yet know their new rent amount for that portion of the year, are CMSMs/DSSABs permitted to make an in-year adjustment to the legacy funding calculation when they have a new contract (e.g., recalculate the contracted accommodation amount for 2025 and legacy funding)?	If a legacy centre knows in advance that their rent will increase partway through 2025, then the increase should be captured in the 2025 fixed costs being added to the legacy cost calculation. If the increase is an unexpected cost, the legacy centre could either manage the incremental costs within their Program Cost Allocations if there is flexibility or could connect with the CMSM/DSSAB to see if the CMSM/DSSAB would allow funding to support their non-discretionary and unexpected eligible costs above their Program Cost Allocations (please see Chapter 2, Division 2: Cost-Based Funding Guideline, Part 1: Cost-Based Funding Allocation, Overview, In-year Adjustments).
123. How was the provider benchmark for Licensed Home Child Care determined? How are the number of children served per day factored into the funding structure, and are there provisions for providers caring for more than the assumed average number of children?	The cost-based funding approach balances a simple and easy-to-administer system, which is consistent across the province, with funding to licensees based on the true costs of operating child care in Ontario. Under the new approach, all centres/agencies enrolled in the program will have eligible costs covered. Benchmarks are based on actual data from the sector, represent the typical costs associated with providing child care in Ontario, and are applied consistently and transparently across the province. The benchmarks for Licensed Home Child Care agencies were developed using regression analysis on the information collected through the mini-survey (and other data sources) to identify the degree of relationship between costs and cost drivers. Active homes are used as a steadier metric than enrollment (which can change much more frequently), making it more predictable for agencies and CMSMs/DSSABs, thereby making cost-based funding easier to implement. To calculate funding allocations for growth spaces, the ministry assumed that each active home serves four eligible children (equivalent to four active home seats), which is the provincial average of the home enrolments as reported in the 2023 Licensed Child Care Operations Survey.

Question	Answer
124. Do owners/operators have discretion in how they spend revenue from fees collected from parents/guardians? Is this revenue subject to the guidelines related to allowable expenses?	As per Chapter 2, Division 2: Cost-Based Funding Guideline (for example, pg. 10), an eligible centre's/agency's cost-based funding allocation is made of up a Program Cost Allocation plus an Allocation in Lieu of Profit/Surplus, 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, CMSMs/DSSABs must include all fees expected to be collected in respect of the operating space per service day, including one-time mandatory fees. By reflecting base fees in the calculation, cost-based funding recognizes that families also continue to contribute towards both costs and profit/surplus. However, the Guideline does not impose any restrictions on how the amount in lieu of profit/surplus can be used. Licensees are free to use this amount as they see fit – such as reinvesting in child care or compensation to shareholders. The approach provides certainty, transparency, and equal treatment while also helping safeguard the sound and reasonable use of public funds, ensuring that the costs and earnings of licensees that participate in the CWELCC system are reasonable, as required by section 4.2 of the CWELCC agreement.
125. In a situation where a particular benchmark appears to be too low, what can be done about it?	Cost-based funding is provided as a "global allocation" based on benchmarks and appropriate top-ups, rather than a line-by-line grant. Eligible centres/agencies have the flexibility to incur eligible expenses within that allocation. Benchmarks were established based on the most accurate information available at the time. As new data become available (for example, through forthcoming standard financial reports), the ministry will continuously monitor these benchmarks and make adjustments as necessary.

Question	Answer
Local Priorities (Chapter 3)	
126. What should CMSMs/DSSABs do if they exceed the notional allocations for both WEG/HCCEG and Workforce Compensation and have fully used Local Priorities – Flexibility Funding?	As per Chapter 3, part 2 (pg. 12) a notional WEG/HCCEG amount in respect of eligible positions serving children aged 6 to 12 has been included in the budget schedule of Transfer Payment Agreements under Local Priorities. The allocation for WEG/HCCEG in respect of eligible positions serving children aged 6 to 12 will be capped at the notional allocation included in the budget schedule unless the amount reported through the Financial Statements submission exceeds the notional allocation and no additional flexibility remains within Local Priorities – Flexibility Funding. The ministry will adjust entitlements and resulting cash flows based on information reported to the ministry, upon completion of the Ministry’s Financial Statements review and reconciliation process. In this case, an updated budget schedule will be required. CMSMs/DSSABs must ensure that WEG/HCCEG funding has been used in accordance with the guidelines. A separate allocation for Workforce Compensation (WFC) in respect of eligible positions serving children 6 to 12 is also included in the budget schedule of Transfer Payment Agreements under Local Priorities. If WFC expenditures reported through the Financial Statements submission exceed the allocation, and Local Priorities Flexibility Funding is fully used, the Ministry will adjust entitlements and resulting cash flows based on information reported to the Ministry, upon completion of the Ministry’s Financial Statements review and reconciliation process. An updated budget schedule will also be required. The ministry requests that Local Priorities - Flexibility Funding be used to cover these additional requirements first to avoid the need for adjustments to budget schedules.

Question	Answer
Infrastructure (Chapter 5)	
127. What is the purpose of the new Canada-Ontario Early Learning and Child Care Infrastructure Fund (ELCC Infrastructure Fund)?	The ELCC Infrastructure Fund supports infrastructure projects with the goal of increasing inclusion in child care for underserved communities through the creation of new, licensed child care spaces. The ELCC Infrastructure Fund supports not-for-profit licensed child care centres in alignment with Ontario's Access and Inclusion Framework and will complement the Start-up Grant program. The funding must prioritize the creation of new, licensed, full-day child care spaces that support inclusion in the following underserved communities: • rural and remote regions, • high-cost urban areas, • low-income households, • communities with barriers to access (for example, Black and other racialized communities; Indigenous communities; communities with newcomers; communities with parents/guardians, caregivers and children with disabilities; official language minority communities including Francophone children), • communities requiring child care during non-standard hours. For further details on the ELCC Infrastructure Fund, please see Chapter 5: Infrastructure Funding, Part 2.

Question	Answer
128. Is the ministry providing operating funding to support the spaces created with the ELCC Infrastructure Fund?	CMSMs/DSSABs are provided multi-year Directed Growth space allocations by the ministry. The Directed Growth space allocations identify the number of net new spaces that the ministry will support through operating funding up to March 31, 2026. ELCC Infrastructure Fund funding supports the creation of these new not for profit spaces only as part of CMSMs'/DSSABs' Directed Growth space allocations. There is no net new operating funding associated with the spaces created through the ELCC Infrastructure Fund. CMSMs/DSSABs must use operating funding provided through cost-based funding allocations to support the operation of spaces created through the use of ELCC Infrastructure Fund funding.
129. Why is the ministry requiring a mid-year report-back for ELCC Infrastructure Fund funding?	In July 2025, CMSMs/DSSABs will be required to report to the ministry on the ELCC Infrastructure Fund funding. This report-back may be used to support the ministry's assessment of local progress and ability to commit funding by December 2025.
130. By what date must CMSMs/DSSABs commit and spend the ELCC Infrastructure Fund funding?	CMSMs/DSSABs have until December 31, 2025, to enter into service agreements that will commit funds to licensees. By December 31, 2025, if an application is still pending full execution of the service agreement without exception, funding will be considered uncommitted and must be returned to the ministry. CMSMs/DSSABs must ensure licensees complete work and use the ELCC Infrastructure Fund funding on or before December 31 of the year when the project was to create the new licensed child care spaces. For example, licensees with a service agreement referring to a project set for completion by November 30 would have until December 31 of the same calendar year to complete the work and use the funds provided.
131. Can CMSMs/DSSABs allocate ELCC Infrastructure Fund funding and Start-up Grant funding for the same space creation project?	Yes, CMSMs/DSSABs may allocate Start-up Grant funding and ELCC Infrastructure Fund funding to the same infrastructure project where the project is eligible for both funding programs. However, CMSMs/DSSABs must track and report Start-up Grant expenditures separately from ELCC Infrastructure Fund expenditures.

Question	Answer
132. Will there be further Start-up Grant funding allocated to CMSMs/DSSABs in 2026?	The 2024 Start-up Grant allocations were provided to support the creation of new community-based spaces included in the 2024 targets and 50% of the same type of spaces included in the 2025 targets. Similarly, the 2025 Start-up Grant allocations are being provided to support the creation of 50% of new community-based spaces included in the 2025 targets and 100% of the same type of spaces included in the 2026 targets.
133. Are planning and design expenses for a space creation project eligible for Start-up Grant funding?	Eligible expenses for Start-up Grant funding are set out under section 1.B Eligibility of Chapter 5: Infrastructure Guideline. Renovations, additions, or repairs to licensed child care facilities or potential child care facilities, as approved by CMSMs/DSSABs, are considered eligible expenses for a child care centre space creation project. Expenses incurred through the planning and design stages of a space creation project are not eligible for Start-up Grant funding.
134. Are project commitments made between January 1, 2025, and the date the Infrastructure Guidelines were released eligible for funding?	Yes, project commitments made between January 1, 2025, and December 31, 2025, are eligible for funding, where the project meets the requirements outlined in Chapter 5: Infrastructure Guideline.

Question	Answer
Other	
135. Can a centre hold two licences at the same location for children aged 0 to 5 - one licence for CWELCC spaces and one for non-CWELCC spaces?	The *Child Care and Early Years Act, 2014* defines what type of child care constitutes a child care centre and sets out the rules relating to the operation of child care centres in Ontario. There is nothing in the CCEYA or its regulations that would restrict a licensee from operating two child care centres at the same civic address, so long as the licensee is authorized to operate both centres and the same civic address is specified on each licence. In addition, there is also nothing in the CCEYA or its regulations that would restrict a licensee from enrolling in CWELCC for one licence and operating outside of the CWELCC system for the other licence. However, to support transparency for parents/guardians, the CCEYA does require all licensed child care programs to have a parent handbook, which includes the fees they charge and whether or not they are enrolled in the CWELCC system. Licensed child care centres are required to review this information with parents/guardians prior to enrolment as well as whenever updates occur. All licensed child care programs must include their base fees and any non-base fees that may be charged in the parent handbook. This means that the actual dollar amount of the fee must be listed, and parents/guardians must be able to determine which fees are mandatory or base fees and which fees are non-base fees. For questions regarding the application or interpretation of the CCEYA, operators may wish to seek legal advice.