Ministry of Education

Ontario Child Care and Early Years Funding Guidelines

for Consolidated Municipal Service Managers and District Social Services Administration Boards

2025 Funding Allocations Technical Paper

January 2025

Table of Contents

PURPOSE

The purpose of this document (the “Funding Allocations Technical Paper”) is to provide transparency to Consolidated Municipal Service Managers and District Social Service Administration Boards (CMSMs/DSSABs) in regard to their 2025 funding allocations.

This document describes the formulae and criteria used to calculate child care funding allocations to CMSMs/DSSABs. It does not provide guidance to CMSMs/DSSABs on how to calculate licensee allocations or on program expense eligibility.

PART 1. CMSM/DSSAB ADMINISTRATION FUNDING ALLOCATION

The CWELCC Administration Funding allocation comprised of the CWELCC Administration Funding and the Other Administration Funding.

1.A CWELCC ADMINISTRATION FUNDING

The CWELCC administration allocation is intended to support CMSMs/DSSABs with administrative capacity to implement the goals of the CWELCC. The 2025 allocation for CWELCC administration is comprised of the following components:

Administration Allocation Data Elements	Benchmark
Base allocation for each CMSM/DSSAB	$80,863
Number of licensed child care spaces for centres as of December 31, 2022 per Child Care Licensing System (infant, toddler, preschool, kindergarten and family age group)	$69.84 per space
Number of eligible children enrolled in home child care as per 2023 Licensed Child Care Operations Survey (as of December 31, 2022)	$69.84 per child enrolled
Projected number of new enrolled child care spaces for 2023, 2024 and 2025 per Directed Growth Targets	$69.84 per space or enrolment

1.B OTHER ADMINISTRATION FUNDING

For each CMSM/DSSAB, the Other Administration Funding allocation was based on:

- The threshold from 2024 Child Care funding allocations for General, Expansion Plan and federal Early Learning and Child Care (ELCC) funding. This is, 5% applied to the provincial funding and 10% applied to the child care portion of the federal Early Learning and Child Care (ELCC) funding. This threshold reflects the current 50/50 provincial-municipal cost-share on the provincial funding only.

- The funding allocated as 2024 WEG/HCCEG Administration in 2024. This allocation reflects the current 50/50 provincial-municipal cost-share.

PART 2. CANADA-WIDE EARLY LEARNING AND CHILD CARE (CWELCC) COST-BASED FUNDING ALLOCATION

2.A OVERVIEW

The ministry provides funding based on the typical (representative) costs of providing high-quality child care to eligible children in Ontario. To that end, the ministry built an extensive micro-level model from data gathered from multiple sources, which can be described in six broad steps:

1. Gathered and cleaned appropriate data points from multiple data sources.
2. Calculated benchmarks, geographic adjustment factors and growth multipliers, which are to be used to calculate the Program Cost Allocations described in Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline.
3. Modelled a licence-level cost forecast by incorporating policy elements (such as Workforce Compensation) and additional parameters and key assumptions.
4. Aggregated the cost-based funding allocations for eligible centres/agencies and new spaces within each CMSM/DSSAB service area as follows:
    - For existing eligible centres/agency (meaning, those enrolled in CWELCC as of December 31, 2022), calculated the cost-based funding allocations by using the formulas described in Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline and each centre's/agency's assumed operational information. To calculate legacy top-ups, applicable benchmark allocations were subtracted from respective licence-level cost forecasts (from step 2).
    - For new spaces, calculated the cost-based funding allocations by using the formulas described in Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline as applied to Directed Growth space allocations.
5. Determined each CMSM's/DSSAB's allocation holdbacks and added to the total cost-based funding allocations from step 4.
6. Determined each CMSM's/DSSAB's allocation by subtracting the respective mandatory CMSM/DSSAB contribution from its cost-based funding allocations calculated in step 5.

2.B DATA POINTS FROM MULTIPLE DATA SOURCES

In March 2023, to better understand cost structures, the ministry collected detailed financial information from licensees and CMSMs/DSSABs through a “mini-survey”. The ministry received responses from more than 5,100 eligible centres/agencies (98% of enrollees at the time); responded to e-mails/calls from licensees and developed webinars to increase response rates and minimize errors; and eliminated non-response bias by giving more weight to responses from under-represented licensee types[1].

To clean the data, the ministry replaced statistical outliers for vacation days, sick days and optional/supplementary benefits (for example, with minimum legislated vacation days or with CMSM/DSSAB-level averages); applied scaling adjustment multipliers for extreme revenues and expenses (for example, misplaced decimals); prorated licensee-level amounts to per-licence amounts (for multi-site licensees that reported consolidated revenues and expenses); and corrected for misclassification of expenses, if obvious and applicable (for example, cost of insurance from accommodation to operations).

The mini-survey data were complemented with data from other authoritative sources.

Data point(s)	Data source	How it was used
Licensed spaces by age group, auspice, area for child care program rooms in community spaces, operation months, setting, etc.	Child Care Licensing System (CCLS)	As licence-specific characteristics for various calculations (as operational metrics and cost drivers)
Parent fees, home enrollment by age group, number of program staff and supervisors, wages, operating hours, etc.	2023 Licensed Child Care Operations Survey	As licence-specific characteristics for various calculations (as operational metrics and cost drivers)
School boards’ 2023-24 operating cost benchmark plus maintenance (incl. costs of operation, repairs and maintenance for spaces used exclusively by the child care centre; excl. capital renewal and cost of spaces shared with schools)	Capital and Business Support Division, Ministry of Education	To calculate accommodation costs in school settings

[1] Control variables included region, auspice, single site vs. multi-site, language of service, urban/rural location, primary use of building, number of staff, and number of licensed spaces by age group.

Data point(s)	Data source	How it was used
Ministry’s current approximation of area (m^2) per child by age group	Capital and Business Support Division, Ministry of Education	To calculate supplementary area for child care in community settings
Market rent rate by area (m^2) including taxes and maintenance/repairs and insurance	Commissioned market-rent study	To calculate costs for child care in community settings
Economic regions	Statistics Canada	To establish geographic adjustment factors
Postal codes	Canada Post	To determine urban/rural location
Actual and forecasted consumer price index. (Based on detailed analysis, CPI aligns with changes in the typical “basket” of child care expenses.)	2024 Ontario Budget	To determine cost escalation
Space targets by CMSM/DSSAB	Direct Growth space allocations	To determine cost of growth

2.C BENCHMARKS, GEOGRAPHIC ADJUSTMENT FACTORS AND GROWTH MULTIPLIERS

Benchmarks

To appropriately target costs, benchmarks generally consider the number of operating spaces/active homes (for variable costs) or licensed spaces (for fixed costs) by age group, licensee setting, operating days, and cost escalation (including through policy changes, such as Ontario’s Child Care Workforce Strategy).

The determination of benchmarks used statistical techniques (mainly, regression analysis) applied to the information collected as part of the mini-survey and other data sources to identify the degree of relationship between costs and cost-drivers (based on information for existing spaces and active homes in eligible centres/agencies as of December 31, 2022). The illustration below depicts how cost-drivers and costs would be situated related to the benchmarks in a graph format.

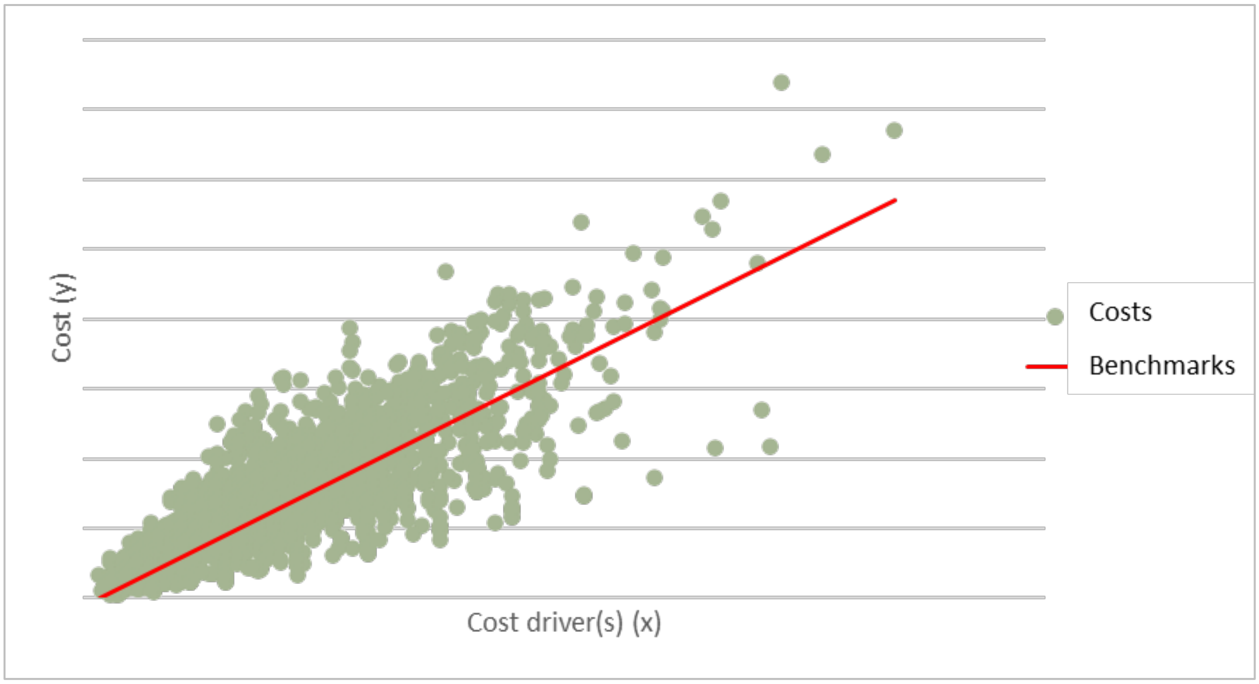

Chart 1. Scatter chart shows notional cost drivers on the horizontal axis and notional costs on the vertical axis. Each dot on the chart represents an individual child care licence, and the trend line represents the statistical relationship between notional cost drivers and notional costs, used to set the benchmarks. Dots above the line suggest costs that are higher than expected for a given level of cost driver while dots below line represent costs that are lower than expected for a given level of cost driver.

There are five sets of benchmarks for 2025 with eight distinct components. For eligible centres, the benchmark components are program staffing, supervisor, accommodations and operations. For eligible home agencies the benchmark components are provider compensation, visitor compensation and agency operations.

Child Care Centres: Program Staffing Benchmarks

Program staffing benchmarks are based on the following data elements, statistically assigned by centre and by age group:

Program Staffing Data Elements	Source
Number of centre-based licensed child care spaces (infant, toddler, preschool, kindergarten and family age group)	Child Care Licensing System (as of December 31, 2022)
Number of full operating hours (before-and-after program and full day program)	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of and wages of Registered Early Childhood Educator (RECE) and non-RECE program staff	2023 Licensed Child Care Operations Survey (as of December 31, 2022)

Program staffing benchmarks for 2025 include the following assumptions:

- Infant, toddler, preschool and family age group spaces operate full-day program on all workdays in the calendar year. Kindergarten spaces operate full-day program on non-instructional school days and before-and-after program on instructional school days.
- The proportion of RECE program staff is the higher of such value reported in the Operations Survey or as per requirement of Schedule 1 of O. Reg. 137/15.
- Wages and benefits of RECE program staff include:
    - Base wages from 2023 Licensed Child Care Operations Survey (assumed these include provincial enhancements supported by General Operating Grants, or GOG, and $2 per hour attributable to the provincial Wage Enhancement Grant, or WEG, where applicable).
    - Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).
    - $3 per hour attributable to annual wage increases under Workforce Compensation ($1 per hour, compounded year over year for 2023 to 2025), up to $27 per hour.
    - CWELCC wage floor of $24.86 per hour, if applicable.
    - 11.694% statutory obligations based on 2024 rates for Canada Pension Plan (CPP), Employment Insurance (EI), Workplace Safety and Insurance Board (WSIB), Employer Health Tax (EHT).
- Wages and benefits of non-RECE program staff include:
    - Base wages from 2023 Licensed Child Care Operations Survey (provincial enhancements supported by GOG and assumed these include $2 per hour attributable to the provincial WEG where applicable)
    - Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).
    - Minimum wage as of October 1, 2024 of $17.20 per hour, if applicable.
    - 11.694% statutory obligations based on 2024 rates for CPP, EI, WSIB and EHT.

Program staffing ancillary costs cover supplementary benefits and supply staff coverage. The following data elements were used to determine program staffing ancillary costs for 2025:

Program Staffing Ancillary Data Elements	Source	Value
Median of optional/supplementary benefits as percentage of the salaries and wages excluding statutory benefits	Mini-survey (as of December 31, 2022)	5.4%
Median of the number of vacation days and sick days as a percentage of the total number of service days in 2022	Mini-survey (as of December 31, 2022)	8.0%

Child Care Centres: Supervisor Benchmark

Supervisor benchmarks are based on the following data elements, statistically assigned by centre:

Supervisor Data Elements	Source
Number of centre-based licensed child care spaces (infant, toddler, preschool, kindergarten, family age group, primary/junior school age and junior school age)	Child Care Licensing System (as of December 31, 2022)
Wages of RECE supervisor	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Median of the number of supervisors per eligible centre	2023 Licensed Child Care Operations Survey (as of December 31, 2022)

Supervisor benchmarks for 2025 include the following assumptions:

- Each eligible centre has one RECE supervisor (the median number of supervisors per eligible centre) working for eight operating hours per operating day, scaled with operating capacity in regard to children aged 0 to 5, weighted by staffing ratio per Schedule 1 of O. Reg. 137/15 to account for full-time equivalent serving eligible children.
- Wages of RECE supervisor include:
    - Base wages from 2023 Licensed Child Care Operations Survey (assumed these include provincial enhancements supported by GOG and $2 per hour attributable to the provincial WEG where applicable).

- Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).
- $3 per hour attributable to annual wage increases under Workforce Compensation ($1 per hour, compounded year over year for 2023 to 2025), up to $30 per hour.
- CWELCC wage floor of $25.86 per hour, if applicable.
- 11.694% statutory obligations based on 2024 rates for CPP, EI, WSIB and EHT.

Supervisor ancillary costs cover supplementary benefits and supply staff coverage. The following data elements are used to determine supervisor ancillary costs for 2025:

Supervisor Ancillary Data Elements	Source	Value
Median of optional/supplementary benefits as percentage of the salaries and wages excluding statutory benefits	Mini-survey (as of December 31, 2022)	6.3%
Median of the number of vacation days and sick days as a percentage of the total number of service days in 2022	Mini-survey (as of December 31, 2022)	9.9%

Child Care Centres: Accommodations Benchmarks

Accommodations benchmarks include accommodations benchmarks for community setting and accommodations benchmarks for school setting.

Community Setting

Accommodations benchmarks for community setting are based on the following data elements, statistically assigned by centre and by age group:

Accommodations for Community Setting Data Elements	Source
Average market rent of Ontario (including taxes, maintenance/repairs and insurance)	Third-party market rent study (2023)
Program room areas of child care centres	Child Care Licensing System (as of December 31, 2022)
Multiplier for other areas of child care centres (such as, washrooms, laundry, administrative areas, functional areas)	Capital and Business Support Division, Ministry of Education

Accommodations benchmarks for community setting for 2025 assumed a cost increase attributable to a compounded assumed inflation of 4.65% (that is, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).

School Setting

Accommodations benchmarks for school setting cover space exclusively used by the child care centre and are based on the following data elements:

Accommodations for School Setting Data Elements	Source
Operating cost funding benchmark and maintenance funding benchmark	Capital and Business Support Division, Ministry of Education (2023-24)
Building standard for centres in schools by age group	Capital and Business Support Division, Ministry of Education

Accommodations benchmarks for school setting assumed a cost increase attributable to an assumed inflation of 2.00% for 2025 per 2024 Ontario Budget.

Child Care Centres: Operations Benchmarks

Operations benchmarks are based on the following data elements, statistically assigned by setting and by age group into fixed and variable components:

Operations Data Elements	Source
Salaries and Benefits of non-program staff and other staff, and other operating expenses	Mini-survey (as of December 31, 2022)
Number of centre-based operating child care spaces (infant, toddler, preschool, kindergarten, family age group, primary/junior school age and junior school age)	Mini-survey (as of December 31, 2022)
Number of centre-based licensed child care spaces (infant, toddler, preschool, kindergarten, family age group, primary/junior school age and junior school age)	Child Care Licensing System (as of December 31, 2022)

Operations benchmarks for 2025 include the following assumptions:

- Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).
- Due to data constraints and assumed similarities in the operation cost of spaces for infant, toddler/family age group and preschool age groups, those age groups carry the same operations benchmarks.

Home Child Care Agencies: Provider Compensation Benchmark

Provider compensation benchmark is based on the following data elements, statistically assigned by agency and prorated to children aged 0 to 5:

Provider Compensation Data Elements	Source
Number of active homes	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Compensation of home child care providers	2023 Licensed Child Care Operations Survey (as of December 31, 2022)

Provider compensation benchmark for 2025 includes the following assumptions:

- Compensation from 2023 Licensed Child Care Operations Survey (assumed these include the applicable Home Child Care Enhancement Grant).
- Portion attributable to ages 0 to 5 was calculated using the number of eligible children enrolled as of December 31, 2022, weighted by an assumed staff-to-child ratio (this is, one provider caring for six children) and typical hours by age. The result from dividing the weighted number of children enrolled for ages 0 to 5 by the weighted number of children aged 0 to 12 is 86%. (Statistical techniques were employed to test the robustness of this assumption using cost data collected from the mini-survey).
- Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).

Home Child Care Agencies: Visitor Compensation Benchmark

Visitor compensation benchmark is based on the following data elements, statistically assigned by agency and prorated to children aged 0 to 5:

Home Visitor Compensation Data Elements	Source
Number of active homes	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of home child care visitor full-time equivalents	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Wages of RECE home child care visitor	2023 Licensed Child Care Operations Survey (as of December 31, 2022)

Visitor compensation benchmark for 2025 includes the following assumptions:

- Base wages from 2023 Licensed Child Care Operation Survey (assumed these include $2 per hour attributable to the provincial WEG where applicable).
- Portion attributable to ages 0 to 5 was calculated using the number of eligible children enrolled as of December 31, 2022, weighted by an assumed staff-to-child ratio (this is, one provider caring for six children) and typical hours by age. The result from dividing the weighted number of children enrolled for ages 0 to 5 by the weighted number of children aged 0 to 12 is 86%. (Statistical techniques were employed to test the robustness of this assumption using cost data collected from the mini-survey).
- Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).
- $3 per hour attributable to annual wage increases under Workforce Compensation ($1 per hour, compounded year over year for 2023 to 2025), up to $30 per hour.
- CWELCC wage floor of $25.86 per hour, if applicable.
- 11.694% statutory obligations based on 2024 rates for CPP, EI, WSIB and EHT.

Visitor compensation ancillary costs cover supplementary benefits. The following data element is used for visitor compensation ancillary costs for 2025:

Home Visitor Ancillary Data Elements	Source	Median
Median of optional/supplementary benefits as percentage of the salaries and wages excluding statutory benefits	Mini-survey (as of December 31, 2022)	5%

Home Child Care Agencies: Agency Operations Benchmarks

Agency operations benchmarks are based on the following data element, statistically assigned by agency into fixed and variable components and prorated to children aged 0 to 5:

Agency Operations Data Elements	Source
Agency operations expenses (salaries and benefits of agency staff, accommodations expenses, other operating expenses excluding provider payments)	Mini-survey (as of December 31, 2022)

Operations benchmark for 2025 includes the following assumptions:

- Portion attributable to ages 0 to 5 was calculated using the number of eligible children enrolled as of December 31, 2022, weighted by an assumed staff-to-child ratio (this is, one provider caring for six children) and typical hours by age. The result from dividing the weighted number of children enrolled for ages 0 to 5 by the weighted number of children aged 0 to 12 is 86%. (Statistical techniques were employed to test the robustness of this assumption using cost data collected from the mini-survey).
- Cost increases attributable to a compounded assumed inflation of 8.63% (that is, 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025 per 2024 Ontario Budget).

Geographic Adjustment Factors (GAFs) and Growth Multipliers

Cost structures vary across eligible centres/agencies for many reasons, including geographic location, reflecting differing local rents, labour markets, electricity costs, and food prices, among others. To adjust for such differences, geographic adjustment factors (GAFs) and growth multipliers were calculated based on comparisons between benchmark allocations and estimated legacy costs for existing spaces in eligible centres as of December 31, 2022 forecasted to 2025.

The GAFs were calculated in two steps:

1. The unadjusted benchmark allocation was calculated by licence by applying benchmarks across licence-specific characteristics, including the modelled assumptions described under the Licence-Level Cost Forecast heading.
2. The GAFs were calculated such that about half of the licences would have their estimated legacy costs fully covered by the benchmark allocation (unadjusted benchmark allocation multiplied with GAF) within each economic region.

The growth multipliers were calculated in two steps:

1. The benchmark allocation was calculated by licence by applying the applicable GAF to the unadjusted benchmark allocation.
2. The growth multipliers were calculated as the CMSM/DSSAB-level median of estimated legacy costs over benchmark allocations, normalized by the lowest of all CMSM/DSSAB-level medians.

2.D LICENCE-LEVEL COST FORECAST

The ministry modelled, for each existing eligible centre/agency (meaning, enrolled as of December 31, 2022), a licence-level cost forecast for 2025 by using the following parameters, key assumptions, statistical techniques and updated policy elements:

Parameters	• CPI inflation: To estimate the inflation in child care expenses, the ministry performed analysis using typical cost structures from the mini-survey and detailed inflation data from Statistics Canada. The analysis suggests that price changes in the "basket" of child care expenses is effectively the same as those in the "all-items" Consumer Price Index (CPI) from 2017 to 2022. Actual and forecasted CPI inflation as per 2024 Ontario Budget: 3.80% for 2023, 2.60% for 2024 and 2.00% for 2025. That is, about 8.63% total compound increase (which means that $100 in 2022 would be equivalent to $108.63 in 2025). • Statutory benefits rate: Based on 2024 rates for CPP, EI, WSIB, EHT. The ministry applied to salaries for program staff, supervisors and home child care visitors.

Key assumptions	• Assumed 2025 operating days: The ministry calculated the greater of:
	  ◦ The number of operating days reported in the mini-survey, plus the difference in the number of weekdays between 2022 and 2025 (there is one additional weekday in 2025 compared to 2022), and
	  ◦ The number of weekdays per month the licence is licensed for in CCLS.
	• Assumed 2025 operating capacity by centre and by age group was calculated as 2022 operating capacity as reported in the mini-survey plus 8/9 of the difference between licensed and 2022 operating capacity (2/3 of the difference into 2024 and 2/3 of the remainder into 2025). If the operating capacity reported for an age group in the mini-survey exceeded the licensed capacity for that age group, it was assumed to be an alternate capacity. Operating capacity for licences with alternate capacity remained the same for that age group from 2022 to 2025.
	• Assumed that the number of active homes and number of eligible children enrolled remains the same as reported in the 2023 Licensed Child Care Operation Survey.

Statistical techniques	• Split costs for program staff and supervisor: The ministry used regression analysis to determine salaries and benefits ratio between program staff and supervisor. • Split operating costs into fixed and variable: The ministry used regression analysis on operating costs for operating spaces versus licensed spaces by community or school setting and broad age group. • Split costs for CWELCC-eligible age groups and ineligible age groups: Depending on the nature of the costs, the ministry applied a ratio based on different criteria (similar to what is described in Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline, pg. 28). For example, for program staffing costs, the split weights licensed spaces by staff using program staff-to-child ratio and typical hours by age group.

Updated policy elements	• Workforce Compensation under the Ontario's Child Care Workforce Strategy. Announced in November 2023, the new wage floors and ceilings for eligible positions for a given target year were reflected in the wage growth between 2022 and 2025.
	• Program Staff, Supervisors and Visitors costs: Applied order of operations to bring cost forecast from 2022 to the target year (base wage, plus CPI, applied minimum wage, plus provincial WEG, plus Workforce Compensation up to eligibility ceilings, applied wage floors) plus benefits (similar to the assumptions listed in the benchmark section).
	• Growth targets: Based on Directed Growth space allocations (communicated to CMSMs/DSSABs in May 2023).
	  ◦ Growth spaces were split between centres and homes and between age groups based on historical space distribution, and continue assuming that new active homes serve four eligible children on average.
	  ◦ Funding for growth spaces of the target year are weighted by 50% based on historical trends that show spaces are created throughout the year.
	• Base fee cap: New cap of $22 per day effective January 1, 2025.

2.E COST-BASED FUNDING ALLOCATION

For the purposes of calculating cost-based allocations to CMSMs/DSSABs, the allocation was split into two parts: base and growth.

The "base" captures all existing licensed spaces in eligible centres and all existing active homes in eligible agencies located within each CMSM's/DSSAB's service area as of December 31, 2022. A CMSM's/DSSAB's base includes home agencies whose head office is within the CMSM/DSSAB service area and includes all their agencies' active homes regardless of the home location (such as, within or outside of its service area). "Growth" captures all growth spaces part of the Directed Growth allocations (that is, 2023, 2024 and 2025 space targets). The ministry assumed that space creation targets for 2023 and 2024 are achieved by the end of 2024 so they can be funded in 2025.

Base	Growth
Existing licensed spaces in eligible centres and existing active homes in eligible agencies as of December 31, 2022	Growth spaces per the Directed Growth allocations for 2023, 2024 and 2025 as communicated on May 24, 2023

The cost-based funding allocations to CMSMs/DSSABs were calculated by applying the cost-based funding allocation formulas described in Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline to the base and growth (using modelled assumptions for the licence-specific characteristics as described below) and adding together the respective amounts for each CMSM/DSSAB. This number was reduced by the mandatory CMSM/DSSAB contribution to determine each CMSM's/DSSAB's allocation.

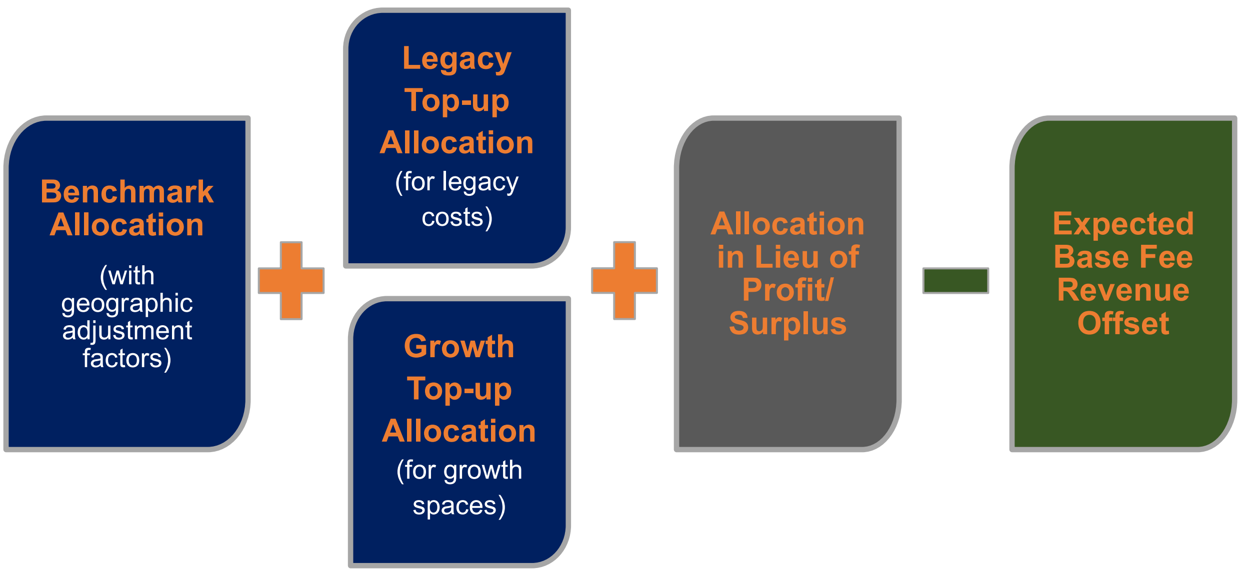

Chart 2. Chart depicts the elements of the calculation of the (notional) Cost-Based Funding Allocation: Benchmark Allocation (with geographic adjustment factors), plus Legacy Top-up (for legacy costs) and Growth Top-up, plus Allocation in Lieu of Profit/Surplus, minus Expected Base Fee Revenue Offset.

Base Calculations

Benchmark allocation was calculated for each licence in the base by applying benchmarks to licence-specific characteristics and including some modelled assumptions described under the Licence-Level Cost Forecast, and adjusting for GAFs.

Top-up allocation was calculated for each licence in the base. Since growth is calculated separately, the top-up allocation for the base includes only legacy top-up. The legacy top-up was calculated as the difference between the licence's cost forecast and licence's benchmark allocation.

Amount in lieu of profit/surplus was calculated for each licence in the base as the sum of the three components:

1) Base rate amount: multiplied 4.25% by the respective program cost allocation (benchmark allocation plus top-up allocation).
2) Premium rate amount: multiplied 3.5% by the respective benchmark allocation.
3) Flat amount of $6,000: allocated full amount to each licence.

Expected base fee revenue offset was calculated by multiplying the expected 2025 daily base fee to the following data elements at the licence level, and then multiplied by 0.90 for 2025 to account for vacancies.

Fee Offset Data Element	Source
2022 daily parent fees for eligible children (these are the “frozen” fees)	2022 Licensed Child Care Operations Survey (as of March 31, 2022)
Number of eligible children enrolled in licensed home child care	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Assumed 2025 operating capacity by centre and by age group	Assumption carried from the Licence-Level Cost Forecast

The 2025 daily base fee was determined as:

2022 Daily Parent Fee	Reduced Daily Base Fee [2]	2025 Daily Base Fee
If 2022 daily parent fee is less than or equal to $12	2022 daily parent fee (meaning, no reduction applied)	2022 daily parent fee
If 2022 daily parent fee is greater than $12	Greater of: • 2022 daily parent fee x (1 – 52.75%), and • $12 per day (floor)	Minimum of: • Reduced daily base fee, and • $22 per day (fee cap)

For centres, age groups included in the calculation include infants, toddlers, preschool, kindergarten and family age group. Kindergarten spaces were assumed to charge a before-and-after school fee on instructional school days, up to the assumed 2025 service days, and a full-day fee on the remainder of assumed 2025 service days.

[2] Which had been in place since December 31, 2023, and was assumed to be in place until December 31, 2024.

For agencies, spaces and enrolment data were used as a proxy for the active home seats. Age groups included in the calculation include children under 2 years, 2 to 3 years and 4 to 5 years. Enrolments of children aged 4 to 5 years in daytime programs were assumed to charge a full-day fee on all assumed 2025 service days. For enrolments in other programs, enrolments of children aged 4 to 5 years were treated the same as the kindergarten age group in eligible centres as described above regarding before-and-after school fee versus full-day fee.

Growth Calculations

Benchmark allocation was calculated by applying benchmarks to the following modelled assumptions, and adjusting for GAFs.

Modelled Assumptions	Description
Assumed 2025 licensed capacity	Growth spaces for children aged 0 to 5, per Directed Growth space allocations, were split as follows: • Split for setting (community or school) was assumed to be the same as outlined in the Directed Growth space allocations. • Split for centre- or home-based was assumed to remain constant as it existed historically: Total centre-based, 97% Total home-based, 3% • Split for age groups was based on the historical space distribution across the province. <u>Centre-based</u> Infant, 5% Toddler, 17% Preschool, 39% Kindergarten, 36% Family Age Group, 0% <u>Home-based</u> Less than 2 years, 1% 2 to 3 years, 2% 4 to 5 years, 1% • Growth spaces for children aged 6 to 12 were assumed to increase by natural growth rate of 3% per year.

Modelled Assumptions	Description
Assumed 2025 operating capacity	Operating capacity for 2023 and 2024 growth spaces was assumed to equal licensed capacity. Funding for operating capacity for 2025 growth spaces was weighted by 50% (meaning that, new spaces open throughout the year and, on average, for half of their first operating year).
Assumed new active homes	Calculated by dividing the assumed 2025 operating capacity by the provincial average number of eligible children per home. 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 Operation Survey.
Assumed 2025 service days	Number of weekdays in the calendar year (that is, there are 261 weekdays in 2025).
Assumed new centres	Calculated by dividing the assumed 2025 operating capacity by the average number of spaces per centre by CMSM/DSSAB.
Assumed new agencies	Calculated by dividing the number of assumed growth active homes by the provincial average number of active homes per agency.

Top-up allocation includes growth top-up only and was calculated at the assumed new centre/agency level by multiplying benchmark allocation with the growth multipliers.

Amount in lieu of profit/surplus was calculated at the assumed new centre/agency level as the sum of the three components:

1) Base rate amount: multiplied 4.25% by the respective program cost allocation (benchmark allocation plus top-up allocation).
2) Premium rate amount: multiplied 3.5% by the respective benchmark allocation.
3) Flat amount of $6,000: allocated full amount to each assumed new licence.

Expected base fee revenue offset was calculated by multiplying the expected 2025 daily base fee using data elements modelled consistent with the other elements of the cost-based calculation, and multiplied by 0.90 for 2025 to account for vacancies.

The expected 2025 daily base fee was calculated as the minimum of $22 and the greater of $12 and the fee applicable to age group and service area listed before January 1, 2025 in Table 1 to 4 of O. Reg. 137/15, multiplied by (1 - 52.75%).

For centres, age groups included in the calculation included infants, toddlers, preschool, kindergarten and family age group. Kindergarten spaces were assumed to charge a before-and-after school fee on instructional school days, up to the assumed 2025 service days, and a full-day fee on the remainder of assumed 2025 service days.

For agencies, age groups included in the calculation include children under 2 years, 2 to 3 years and 4 to 5 years. For enrolments in other programs, enrolments of children aged 4 to 5 years were treated the same as the kindergarten age group in eligible centres as described above regarding before-and-after school fee versus full-day fee.

Cost-Based Allocation Holdbacks

Operating Capacity Holdback

The operating capacity holdback covers costs of program take-up that exceeds the assumed operating capacity, up to the full licensed capacity. This holdback was allocated at the CMSM/DSSAB-level as the difference between each CMSM's/DSSAB's cost-based funding allocation at full licensed capacity and their cost-based allocation at assumed 2025 operating capacity.

Contingency Holdback

The contingency holdback covers other non-discretionary cost pressures within the CMSM/DSSAB: 50% of the provincial-level contingency funding envelope was allocated equally among 47 CMSMs/DSSABs; and 50% was allocated proportionally based on the cost-based funding allocation related to each CMSMs'/DSSABs' base.

PART 3. LOCAL PRIORITIES FUNDING ALLOCATION

To simplify funding envelopes and reduce admin burden, CMSMs/DSSABs receive a local priorities allocation that includes six funding allocations: Child Care Wage Enhancement (WEG)/Home Child Care Enhancements Grants (HCCEG), Workforce Compensation, Professional Learning, Small Water Works (SWW), Territory without Municipal Organization (TWOMO) and (new in 2025) Flexibility Funding.

3.A WEG/HCCEG FUNDING ALLOCATION

The ministry provides funding as its ongoing commitment to support a wage enhancement for eligible child care professionals serving children aged 6 to 12 who work for licensees participating in CWELCC and licensees not participating in CWELCC who exclusively serve children aged 6 to 12.

The 2025 WEG/HCCEG funding allocation is a notional allocation.

For each CMSM/DSSAB, the 2025 WEG/HCCEG funding allocation was calculated by multiplying the CMSM's/DSSAB's 2024 WEG/HCCEG funding allocation for ages 0 to 12, multiplied by an assumed portion attributable to ages 6 to 12 (the other portion was folded into the Cost-Based Funding envelope).

The assumed portion of wages attributable to ages 6 to 12 was calculated using the number of licensed spaces as of December 31, 2022, weighted by staff-to-child ratio and typical hours by age group. The result from dividing the weighted number of licensed spaces for ages 6 to 12 by the weighted number of licensed spaces for ages 0 to 12 is 14%. (Statistical techniques were employed to test the robustness of this assumption using cost data collected from the mini-survey).

3.B WORKFORCE COMPENSATION FUNDING ALLOCATION

The ministry provides funding to support wages of RECE staff serving children aged 6 to 12 who work for licensees participating in CWELCC and licensees not participating in CWELCC who exclusively serve children aged 6 to 12. For RECE program staff, funding is being provided for 2025 to support a wage floor of $24.85 per hour and annual wage increases to a maximum of $27 per hour. For RECE supervisors and home visitors, funding is being provided for 2025 to support a wage floor of $25.86 per hour and annual wage increases to a maximum of $30 per hour.

For 2025, funding is also being provided for non-RECE program staff and supervisors serving children aged 6 to12 who work for licensees participating in CWELCC and licensees not participating in CWELCC who exclusively serve children aged 6 to 12, to cover the increased minimum wage that came into effect October 1, 2023.

To calculate the funding allocated to CMSMs/DSSABs, the Total 2025 Workforce Compensation funding envelope was prorated by multiplying by the assumed portion attributable to ages 6 to 12 (described earlier under WEG/HCCEG Funding Allocation), and further divided into three amounts that represent the proportion of the 2025 Workforce Compensation funding envelope pertaining to RECE program staff, RECE supervisors and home visitors, and non-RECE program staff. Proportions by position type were calculated using number of staff in each position type, weighted by wage.

The 2025 Workforce Compensation funding envelope was distributed to CMSMs/DSSABs proportionally, based on the number of positions by type, and assuming a uniform distribution of wages within each wage bracket in the 2023 Licensed Child Care Operations Survey.

Data Elements	Proportion	Source
For each wage bracket: Number of RECE program staff multiplied by the difference between the estimated 2025 average wage (with wage floor and ceiling) and 2022 average wage	85.1%	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
For each wage bracket: Number of RECE supervisors and home visitors multiplied by the difference between the estimated 2025 average wage (with wage floor and ceiling) and 2022 average wage	8.6%	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
For each wage bracket: Number of non-RECE program staff and supervisors multiplied by the difference between the estimated 2025 average wage (with minimum wage) and 2022 average wage	6.3%	2023 Licensed Child Care Operations Survey (as of December 31, 2022)

3.C PROFESSIONAL LEARNING FUNDING ALLOCATION

Professional learning funding was allocated to each CMSM/DSSAB proportionally based on the following data (intended to represent the priority staff group to be supported with the allocation):

Data	Notes	Source
Number of program staff in licensed child care	Weighted as 1 for full time and 0.5 for part time	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of supervisor staff in licensed child care	Weighted as 1 for full time and 0.5 for part time	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of home child care visitors	Weighted as 1 for full time and 0.5 for part time	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of active homes (home providers)	Adjusted for home locations in CMSMs/DSSABs different than the head office	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of FTE program staff in EarlyON	CMSMs/DSSABs submissions	2022 Financial Statement submissions

3.D SMALL WATER WORKS AND TERRITORY WITHOUT MUNICIPAL ORGANIZATION FUNDING ALLOCATIONS

Small Water Works (SWW)

The ministry provides funding to support costs related to small water systems for licensed child care centres (for example, wells and septic systems).

Small water works allocations are based on the greater of reported expenses of 2021 and 2022 Financial Statements. This funding is claims-based.

Territory without Municipal Organization (TWOMO)

The ministry provides funding to DSSABs to support territories without municipal organization (for example, area with no municipality or First Nation).

TWOMO allocations are based on the greater of reported expenses of 2021 and 2022 Financial Statements. This funding is claims-based.

3.E FLEXIBILITY FUNDING ALLOCATION

The ministry provides funding to support expenses as described in Chapter 3, Part 7 of the Guideline, which includes General Operating Expense; Pay Equity Memorandum of Settlement; Fee Subsidy (including Formal and Informal Ontario Works and Camps and Children's Recreation); Special Needs Resourcing; Capacity Building, and shortfalls in cost-based funding, WEG/HCCEG, and workforce compensation.

The 2025 Flexibility Allocation funding envelope was estimated as the portion of the 2024 Child Care Funding Allocations (excluding CWELCC, SWW, TWOMO, WEG/HCCEG and CMSM/DSSB Admin which are addressed separately) attributable to ages 0 to 12 or 6 to 12, respectively. For example, as eligibility does not change for 2025 Fee Subsidy, 2025 SNR and 2025 Capacity Building; those envelopes are expected to remain the same as in 2024. As age eligibility does change for other expenses, the envelope related to those other expenses was apportioned to ages 6 to 12.

The assumed portion attributable to ages 6 to 12 was calculated using the annual costs reported by enrolled licensees in the mini-survey as of December 31, 2022, weighted by the number of number of spaces by age group. The result from dividing the weighted costs of spaces for ages 6 to 12 by the weighted costs of spaces for ages 0 to 12 was 18%.

For each CMSMs/DSSABs, the Flexibility Funding envelope was distributed proportionally based on 2024 Child Care Funding Allocation, excluding WEG/HCCEG, WEG/HCCEG administration, SWW and TWOMO.

PART 4. INDIGENOUS-LED PROGRAM FUNDING ALLOCATION

Operating funding allocations are based on 2023 ongoing operating funds identified in previously approved proposal budgets.

PART 5. INFRASTRUCTURE PROGRAMS FUNDING ALLOCATIONS

5.A START-UP GRANTS

The start-up grants allocation supports directed growth by enabling space creation in regions of CMSMs/DSSABs that had historically lower rates of space availability.

To inform the 2025 funding allocations, the ministry collected from CMSM/DSSAB multi-year uptake forecast by early September 2023. The multi-year forecasts were used to determine the split between home-based and centre-based spaces that each CMSM/DSSAB is intending to support using start-up grants. The split was applied, by CMSM/DSSAB, to their 2024, 2025 and 2026 community space targets (communicated in May 2023) in their respective Directed Growth space allocations. The ministry allocated, as per the start-up grants program guidelines, up to $1,200 for home-based spaces and up to $9,000 for centre-based spaces to determine the funding allocations for start-up grants.

In the 2024 start-up grant allocations all of the 2024 community space targets and 50% of the 2025 community space targets were included. In the 2025 start-up grant allocations 50% of the 2025 community space targets and all the 2026 community space targets were included.

PART 6. EARLYON AND FAMILY CENTRES FUNDING ALLOCATION

The ministry has established a transparent funding approach for EarlyON Child and Family Centres that is intended to be responsive to community needs.

This funding approach takes into consideration the requirement for communities to provide mandatory core services as well as customized community connections that meet unique community needs. It also allows CMSMs/DSSABs to build on the existing strengths of early years programs, and stabilize and transform services while being increasingly responsive to the children and parents/caregivers served.

Funding for EarlyON Child and Family Centres is comprised of the following components:

- A $250,000 base allocation for each CMSM/DSSAB
- The remaining funding has been distributed using the following data elements:

Data	Source
Number of children aged 0 to 6	Ministry of finance
Low-Income Cut Off (LICO) scores	2016 Census (Statistics Canada)
Number of families that speak French at home	2016 Census (Statistics Canada)
Number of Indigenous children aged 0 to 4	2016 Census (Statistics Canada)
Number of families that speak a language other than English or French at home	2016 Census (Statistics Canada)
Population density	2016 Census (Statistics Canada)

As the child care and early years sector continues to stabilize, the data elements outlined in the chart above have been applied to the 2025 EarlyON funding allocations, which remain the same as in 2024 for all CMSMs/DSSABs.