2025 Cost-Based Funding Guidelines – Questions and Answers

July 2024

Contents

Question	Answer
Definitions, formula design and calculations	
1. Can the ministry confirm if “operating spaces” are based on the eligible centre’s staff availability “in the room”?	An “operating space” means a child care space in an eligible centre, in which an eligible child is enrolled or could be enrolled immediately at any given point on a particular service day, and in respect of which the centre charges a base fee for enrolled children. Eligible centres can only enrol children if they meet the requirements of O.Reg 137/15, including minimum program staff-to-child ratios per room.
2. Do we use the maximum number of days the eligible centre/active home is open or the average number of days in a year that it is open?	Eligible centres will need to estimate the number of operating space-days for each eligible age group that they plan to operate during the calendar year. Similarly, eligible agencies will need to estimate the number of active home-days they plan to operate for the calendar year. This number is neither the maximum nor the average, but the sum of the planned number of service days applicable to each operating space/active home.
3. Is funding calculated at the licence level (such as a child care centre) or licensee (operator)?	Cost-based funding is calculated for each eligible centre/agency (that is, at the licence level), even if managed by the same licensee. Multi-site licensees will receive Cost-Based Funding Allocations, and need to track eligible costs, at the licence level. CMSMs/DSSABs will then reconcile at year end for each eligible centre/agency.
4. How does cost-based funding account for programs with longer hours of operation or hours that may be more costly to operate (e.g., evenings, overnights, weekends)?	Cost-based funding uses benchmarks as a set of standardized cost metrics meant to generate allocations for typical costs incurred by eligible centres/agencies in Ontario (and, more specifically, within each region of Ontario). The benchmarks were calculated considering cost structures of all programs (including those operating in the evening, overnight and weekends or those with longer hours), which means they represent typical costs per space for the age group (equivalent to a weighted average). 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.

Question	Answer
5. Is there a mechanism built in to address any misalignment between an eligible centre's/agency's costs and the ministry's benchmarks?	The Cost-Based Funding Allocation provides funding to each eligible centre/agency based on benchmarks and appropriate top-ups. There will be no line-by-line reconciliation. Eligible centres/agencies may use allocated funding on any eligible cost up to the Program Cost Allocation, without having to align the nature of the eligible costs to the components of their benchmark allocations. If an eligible centre's/agency's Actual Program Cost (this is, total eligible cost at year-end) does not exceed their Program Cost Allocation, the eligible centre/agency will continue to have control over their operations and manage their own contracts with landlords and suppliers. The one exception is for wages for program staff and supervisors, who must see the wage enhancements requirements under Ontario's Child Care Workforce Strategy applied to their compensation.
6. How should costs for before and after school care and CWELCC-eligible children served in school age programs be calculated?	To keep the calculation as simple as possible while trying to represent the true costs of providing child care in Ontario, cost-based funding is provided based on spaces and not children enrolled in the spaces. Therefore, school-age spaces are not allocated cost-based funding through benchmarks, as these spaces typically serve children that are not CWELCC eligible. 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.
7. 262 days in a year equals 21.8 days in a month over 12 months, 202 days in a year equals 20.2 days in a month over 10 months. If a centre is operating 10 months, why would it not be 21.8 x 10?	Cost-based funding (through benchmark allocations) provides funding based on the number of operating days (not months) for the eligible centre/agency for each eligible age group/active home. This is based on feedback received from the sector as the number of days can vary by year, licence, and age group/active home within the same licensee.

Question	Answer
8. Why is the accommodation benchmark for school-located Kindergarten spaces $0? Will the ministry be instructing school boards to not charge for this age group?	Benchmarks (with geographic adjustment factors applied) are based on typical costs incurred by eligible centres and is reflective of how child care is delivered in Ontario. As Kindergarten rooms are typically shared with schools, there is no accommodation cost associated (though operations benchmarks may cover certain related costs, such as cleaning). 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. Similarly, a new centre in a school setting receives a growth top-up in addition to their benchmark allocation.
9. Are CMSMs/DSSABs funded using these benchmarks at licensed capacity for the sector or operating capacity?	The ministry's allocations to CMSMs/DSSABs are based on the 2025 licensed capacity for age groups 0-5. Like previous years, the ministry is withholding a portion of child care funding – specifically cost-based funding for 2025 – to avoid large recoveries at the end of the year. Like 2024, these amounts are based on ministry assumptions, such as operating capacity.
10. How were the growth multipliers determined?	Different areas of the province face different cost factors (even within each CMSM/DSSAB). Cost-based funding is designed to balance simplicity with representativeness. Growth multipliers are applied at the CMSM/DSSAB level to recognize geographic variation but, to simplify Cost-Based Funding Allocations for a smoother implementation, do not drill down further to smaller communities within CMSMs/DSSABs. That is, the growth multipliers are determined using data from the entire CMSM's/DSSAB's region (not just the individual CMSM/DSSAB) to represent typical costs across the CMSM/DSSAB.
11. How does the supervisor benchmark, apportioned across age groups (0-5 vs 6-12), recognize programs that offer school-age care?	School-age programs are not eligible for cost-based funding. Licensees will continue to run their 6-12 operations under the existing provincial licensing and regulatory framework, including setting their parent fees. Further, programs that offer school-age care may benefit from cost-based funding for 0-5 age groups since cost-based funding minimizes the risk of "cross-subsidization" between 0-5 and 6-12 age groups.

Question	Answer
12. What date should be used when pulling data elements used in calculating Cost-Based Funding Allocations (for example, when updating operating capacity)?	The data elements necessary to calculate the Cost-Based Funding Allocation are plans for the calendar year, not actuals. Budgeting and planning are best practices that help organizations mitigate financial and operational risks. During a budgeting or planning process, eligible centres/agencies must make reasonable assumptions – within the existing constraints of their operation such as licensed capacity and availability of staff – of their licence-specific characteristics in a future state. These plans and assumptions would be similar to the inputs that would feed the eligible centre's/agency's operating budgets. Accurate planning assumptions will also help avoid significant recoveries at year end.
13. How should CMSMs/DSSABs address situations where an eligible centre/agency has a legacy top-up but claims that the funding is insufficient to meet their operations?	By design, benchmark allocations will be sufficient to cover the program costs of about 50% of legacy centres/agencies. The other 50% will see their legacy costs structures covered by top-ups. After the calculation of top-ups, if an eligible centre/agency still claims that the funding is insufficient to meet their eligible costs, CMSM/DSSAB may consider: - revisiting the inputs/assumptions used to calculate the Cost-Based Funding Allocation and identify if any of the licence-specific characteristics (such as operating spaces in an eligible centre or wage enhancements calculated without including general operating funding in "base wages") have changed, necessitating an in-year (go-forward) adjustment; - using the cost review process to identify potential cost efficiencies; or, - assessing the viability of the eligible centre/agency.
14. Legacy centres/agencies may not be able to reduce costs if they are already running a lean program. How can they improve their programs in the future under the cost-based funding?	By design, benchmark allocations will be sufficient to cover the program costs of about 50% of legacy centres/agencies. Such legacy centres/agencies may have funding room to incur additional eligible costs to improve quality. The other 50% (that is, legacy centres/agencies that will see their legacy costs structures covered by top-ups) could increase quality by using their existing resources more efficiently, reinvesting their amounts in lieu or profit/surplus, or by finding other (non-base fee) revenue sources.

Question	Answer
15. How will other revenue sources, such as fundraising or interest income, be factored into cost-based funding?	The regulatory framework under the *Child Care and Early Years Act, 2014* does not prohibit licensees from using other revenue sources. Other revenue such as donations or fundraising (that are not mandatory for families), non-base fees revenue, and interest income must not be factored in the calculation of either Cost-Based Funding Allocations nor Actual Cost-Based Funding. Any gains resulting from the sale of minor capital assets purchased with cost-based funding must reduce eligible costs for the calendar year in which the sale takes place. Finally, note that costs funded by another public source or reimbursed by another source (such as by insurance claims), are not eligible costs.
16. What happens to CWELCC-enrolled licensees selling their business after the announcement date?	Funding is tied to the licence, and licences are not transferable. The transfer of assets to a new person would require that the new person obtains a new licence, and licences obtained after the announcement date are not eligible for legacy top-ups. However, the transfer of shares of a licensee that is a corporation may not change the licence, and, in this case, eligibility for legacy top-up for the eligible centre/agency would remain.
Eligible costs	
17. Can the ministry provide a comprehensive list of eligible costs?	In response to consultation feedback, the Cost-Based Funding Guideline describes a principle-based definition of eligible costs, plus eight specific rules that apply to support value-for-money and focus on expected outcomes. This approach provides necessary safeguards around the use of cost-based funding while recognizing (and providing CMSMs/DSSABs with the flexibility to address) the wide variety of contextual realities of eligible centres'/agencies' operations. To support implementation, CMSMs/DSSABs may need to train staff on principle-based analysis and techniques. It is also recommended that CMSMs/DSSABs use a collaborative forum (such as a cross-regional community of practice) to discuss cost eligibility as issues arise during implementation.

Question	Answer
18. Can the ministry categorize common operating costs?	A categorization approach would be insufficient to cover all cost scenarios and inevitably lead to inconsistencies. With a principle-based approach, cost eligibility depends on the nature of the cost and its context. As demonstrated by the refrigerator example in the Cost-Based Funding Guideline, the same refrigerator could be eligible or ineligible under different circumstances. For reviewing cost eligibility, CMSMs/DSSABs could consider using a risk-based approach when reviewing the standardized financial report (and prioritize the review of the cost items in which there would be a higher probability of error/fraud or the dollar impact would be higher). Further, CMSMs/DSSABs may evaluate relevant information (such as receipts, quotes and details of circumstances). If a cost item fails any of the principles (attributable, appropriate and reasonable), then the cost is ineligible. For certainty, where a cost meets the attributable and appropriate tests, but the amount incurred is unreasonable, the CMSM/DSSAB may conclude that only the amount exceeding a reasonable amount is ineligible. CMSMs/DSSABs should document their review and the result of their assessment. To support implementation, CMSMs/DSSABs may need to train staff on principle-based and risk-based analysis and techniques. It is also recommended that CMSMs/DSSABs use a collaborative forum (such as a cross-regional community of practice) to discuss cost eligibility as issues arise during implementation.
19. Do CMSMs/DSSABs need to conduct reviews if they suspect that an eligible centre/agency is using goods/services from a related party (for example, a family member leases space to an eligible centre)?	The nature of the relationship between a licensee or eligible centre/agency and its vendor(s) does not, itself, impact cost eligibility or trigger a cost review. CMSMs/DSSABs should follow the process for ensuring cost eligibility (Section 3.2 under Part 3 of the Cost-Based Funding Guideline), which includes assessing if the costs are 'reasonable'.

Question	Answer
20. Is there any transitional funding for legacy centres/agencies to support operational and reporting changes?	While there will be no transitional funding allocation for eligible centres/agencies, operational costs to support new reporting requirements could be an eligible cost: if incurred for the purpose of operating an eligible child care centre/agency and necessary to that operation, or if an ordinary prudent person in the operation of a comparable child care business would incur such costs. As described under In-Year Adjustments (Part 1 of the Cost-Based Funding Guideline), CMSMs/DSSABs may use funding flexibility to cover one-time, unexpected costs.
21. How will CMSMs/DSSABs flow/track funding for WEG/HCCEG or Ontario's Workforce Strategy when an eligible program staff or supervisor works with both children aged 0-5 and 6-12?	Where costs are incurred by a legacy centre/agency to serve both eligible (age 0-5) and ineligible children (age 6-12), 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. Eligible centres/agencies may use the methods described in Step 1(a) under the calculation of legacy costs (Part 1 of the Cost-Based Funding Guideline).
22. For the calculation of wage improvements (including those for the determination of legacy top-ups), should "base wages" include funding from the General Operating Grant?	The Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline 2024 specifies that "Wage enhancement funding is to be provided in addition to existing staff wages, including general operating grants." In addition, the 2024 Canada-wide Early Learning and Child Care Guidelines outlines the order of operations for workforce compensation funding (section 6.2.6). This section specifies that the order of operations is base wage, WEG then CWELCC funding. Therefore, licensees should include general operating funding in base wages, then apply WEG, and finally calculate CWELCC workforce compensation funding. *Note*: this also aligns with reporting wages on the annual operator survey.

Question	Answer
23. For CMSMs/DSSABs that have been excluding funding from the General Operating Grant in "base wages" (regarding eligibility for wage improvements), will the ministry direct them to recover that funding? What is the impact on those staff that have already received CWELCC wage increases before they should have?	CMSMs/DSSABs may have been inconsistently applying provincial guidelines regarding eligibility for wage improvements (such as CWELCC wage supports). This means that employees in some regions may have received their entire CWELCC wage increases up front, rather than gradually. These wage increases can be held constant until these employees become eligible for additional increases. CMSMs/DSSABs will not be required to recover related funding that has already flowed to licensees. We encourage licensees who are concerned about their capacity to sustain wage improvements implemented through 2024 to contact their local CMSM/DSSAB. Going forward, the ministry will be closely monitoring to ensure that all CMSMs/DSSABs are using the same methodology to calculate wage enhancements, whereby funding from the General Operating Grant is included in "base wages".
Cost reviews	
24. Could the ministry provide more guidance on "cost reviews", specifically in determining reasonableness of those costs?	The goal of the cost reviews is to gradually shift the overall cost of providing child care (that is, child care included in base fees) towards more standardized costs, as represented by benchmark allocations. Determining reasonableness of the cost is to be guided by the principles and definitions used for eligible costs (Section 3.1 of the Cost-Based Funding Guideline), meaning that an eligible centre's/agency's costs are reasonable if the quality of the good or service and amount incurred (given the quality of the good or service) do not exceed what would be incurred by an ordinary prudent person in the operation of a comparable business providing child care to eligible children. During the cost review process, CMSMs/DSSABs and licensees should focus on the most material line items where the cost reductions could have the most impact or where cost reductions could be easier to implement. Questions to ask may include: Do these goods/services add significant value to the quality of the child care being provided? Could these be eliminated or replaced with a more cost efficient alternative?

Question	Answer
25. Will the ministry provide additional details related to the cost review process or will CMSMs/DSSABs be responsible to create a local process to review and find necessary efficiencies?	CMSMs/DSSABs are responsible for creating a local process following the principles described in Section 3.3 of the Cost-Based Funding Guideline, including the selection of eligible centres/agencies, reviewing costs for eligibility and value to program, and reporting requirements. Note that the ministry acknowledges that there will be some instances when it is possible that no cost reductions can be found (some examples are included in Section 3.3 of the Cost-Based Funding Guideline), in which cases the only actions to be taken would be to report to the ministry. To support implementation, CMSMs/DSSABs may use a collaborative forum (such as a cross-regional community of practice) to discuss their cost review process and identify best practices.
Funding flexibility	
26. When funding flexibility is created due to an in-year adjustment, what can that funding be used for? Can it be used for local-priorities or is it enveloped?	Funding flexibility created due to an in-year, downward adjustment to a Cost-Based Funding Allocation can be used to support eligible centres/agencies that incur non-discretionary and unexpected eligible costs above their Program Cost Allocations (such as emergency capital repairs to minor assets). However, it cannot be used to fund spending under local priorities. See the In-Year Adjustment section of Part 1 of the Cost-Based Funding Guideline for more information.
27. How much flexibility do eligible centres/agencies have between allocations (for example, if an operator has some accommodations funding available can they apply that to staffing costs)?	CMSMs/DSSABs must compare the funding provided to a licensee (through their Cost-Based Funding Allocation) against the licensee’s Actual Cost-Based Funding for the calendar year and recover any overpayments. This comparison is for all eligible costs incurred by the eligible centre/agency (that is, not line-by-line).

Question	Answer
Accountability	
28. Child care administration is becoming very audit focused – what is the role of the CMSMs/DSSABs now under cost-based funding?	CMSMs/DSSABs continue their critical role as the designated service system managers of the child care and early years system and are responsible for planning and managing licensed child care services in their communities. Local service planning processes should reflect current legislation, regulations and policies/directives, including guidelines as well as engagement with service providers. For example, under the *Child Care and Early Years Act*, *2014* service system managers shall "assess the economic viability of the child care and early years programs and services in the service area and, if necessary, make or facilitate changes to help make such programs and services economically viable". In administering cost-based funding, CMSMs/DSSABs remain accountable for, for example: • Ensuring that funds are used in accordance with the service agreement and the government's policies, procedures, and guidelines; • Monitoring the use of funds; • Reconciling service provider use of funds and recover funds as required; and, • Having policies and procedures in place to fulfill all reporting requirements to the ministry. This accountability also applies to child care services directly operated by CMSMs/DSSABs and services provided by licensees.
29. How should CMSMs/DSSABs select eligible centres/agencies for Direct Engagements to Report on Compliance?	CMSMs/DSSABs must select a 5% sample of eligible centres/agencies that received cost-based funding for the calendar year to undergo a Direct Engagement to Report on Compliance. This will support the CMSM's/DSSAB's verification that costs reported on the standardized financial report were eligible and in compliance with the Cost-Based Funding Guideline.

Question	Answer
30. Will the ministry be providing a template for reconciliation purposes, along with more details on the reconciliation process?	The ministry plans to release the appropriate templates to support CMSMs/DSSABs and licensee planning, where possible. Such templates will be provided later in 2024.
31. The Cost-Based Funding Guideline includes a provincially defined "calendar year" which forms the basis for Cost-Based Funding Allocations and other entitlements. Is the ministry expecting CMSMs/DSSABs transition licensees to a standardized calendar year? How should reconciliation happen on a calendar year versus a fiscal year that does not align with the calendar year?	There should not be fundamental changes to licensee's operations with the implementation of cost-based funding, including changes to their fiscal year end. The ministry selected a calendar year basis to align with municipal fiscal years. CMSMs/DSSABs are expected to fund eligible centres/agencies using the methodology described in the Cost-Based Funding Guideline to ensure consistency across all eligible centres/agencies in Ontario.
32. Can the ministry dictate the methodology to split eligible costs between CWELCC- and non-CWELCC-eligible children for legacy top-ups?	The ministry is allowing CMSMs/DSSABs the flexibility to determine a reasonable methodology on splitting eligible from ineligible costs which may differ at a local level. This approach will closely align with the funding supports at the eligible centre/agency level. CMSMs/DSSABs have the discretion to follow the suggested approach or determine a reasonable methodology for one or all eligible centres/agencies. Eligible centres/agencies may use the methods described in Step 1(a) under the calculation of legacy costs (Part 1 of the Cost-Based Funding Guideline). To support implementation, CMSMs/DSSABs may use a collaborative forum (such as a cross-regional community of practice) to discuss reasonable methodologies on splitting eligible from ineligible costs and identify best practices.

Question	Answer
33. Is there flexibility in the process or timelines for the various accountability measures in the Cost-Based Funding Guideline?	Timelines and processes for accountability measures set out in the Cost-Based Funding Guideline support provincial reporting requirements to the federal government, cost control requirements of the CWELCC Agreement, and allow the ministry to evaluate cost-based funding on an annual basis (for example the appropriateness of benchmarks). Cost reviews for each calendar year should be completed by December 31 of that calendar year, including the identification of a reasonable schedule to reduce eligible costs where applicable. CMSMs/DSSABs must report back to the ministry by March 31 of the next calendar year. An independent third-party practitioner (that is, an external professional auditor) is not required for cost reviews. A cost review template will be provided to ensure a consistent and standardized approach. Please refer to Part 3.3 of the Cost-Based Funding Guideline (Cost Reviews) for further details. Direct Engagements to Report on Compliance are separate from cost reviews and are completed after the end of the calendar year. CMSMs/DSSABs must select a 5% sample of eligible centres/agencies that received cost-based funding for the calendar year, to undergo a Direct Engagement to Report on Compliance to support the CMSM's/DSSAB's verification that costs reported on the standardized financial report were eligible and in compliance with the Cost-Based Funding Guideline.
34. Should CMSMs/DSSABs continue to conduct CWELCC compliance audits?	Starting with the 2025 calendar year, the ministry requires a Direct Engagement to Report on Compliance to be undertaken instead of the annual compliance audits on a random sample of licensees in receipt of CWELCC funding. This new approach provides the CMSMs/DSSABs and the ministry reasonable assurance that costs reported on standardized financial reports are eligible and in compliance with the Cost-Based Funding Guideline. Direct Engagements are performed by an independent third-party practitioner and may otherwise reduce CMSMs'/DSSABs' administrative burden. To support operational efficiency, CMSMs/DSSABs are responsible for the performance of the Direct Engagement to Report on Compliance for the selected eligible centre/agency and pay for it on their behalf.

Question	Answer
Tools, templates, tips and implementation support	
35. The Cost-Based Funding Guideline includes placeholders to templates or documents that are not yet available. When does the ministry expect to rollout such materials?	The ministry is developing reporting templates, a technical paper, and other materials identified as placeholders in the Cost-Based Funding Guideline and will release these materials over the course of 2024. Please stay tuned for more information.
36. Will there be a provincial tool that would allow licensees to calculate their notional Cost-Based Funding Allocation to support business planning?	It is expected that a web-based Cost-Based Funding Estimator tool will be available in August 2024 – please stay tuned for more information.
Local Priorities	
37. CMSMs/DSSABs often contract on behalf of child care for programs/services, such as a contract for special needs resources, capacity building supports and OneList. How will such costs be funded?	As part of the new funding approach, starting in 2025, CMSMs/DSSABs will receive local priorities allocations to support child care programs, such as with special needs resources and capacity building.

Question	Answer
38. Since Indigenous-led services could be enrolled in the CWELCC system, how can CMSMs/DSSABs support such programs and services through cost-based funding versus local priorities?	The ministry recognizes that cost-based funding may overlap with Indigenous-led operating funding for some projects. A project-by-project review will be required to assess the impact in detail. For this reason, the 2025 Child Care Allocations communicated in June 2024 do not include funding allocations for Indigenous-led projects. Nevertheless, all eligible centres/agencies must receive funding allocations using the Cost-Based Funding Guideline, must apply the fee reductions and meet the wage compensation enhancements requirements under the Workforce Strategy.
Funding for licensees not participating in CWELCC	
39. Can you clarify which licensees are eligible for local priorities funding?	CMSMs/DSSABs may directly fund (such as through service agreements): - Licensees participating in CWELCC (that is, using cost-based funding, start-up grants and local priorities funding). - Licensees not participating in CWELCC who provide services exclusively to children aged 6-12 (that is, using 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. For clarity, CMSMs/DSSABs may use local priorities funding (such as special needs resourcing or capacity building) to support initiatives that benefit licensees not participating in CWELCC who provide services to children aged 0-5.
40. Are licensees not participating in CWELCC eligible to receive any direct municipal funding?	Licensees that are licensed for 0-5 age groups, and are not participating in CWELCC are not eligible to receive any federal or provincial child care funding from the province, except for existing fee subsidies, although they could be eligible for funding supported by voluntary municipal contributions.

Question	Answer
41. Where parents are receiving fee subsidies for care provided by licensees that are not participating in CWELCC, will their subsidies be "grand-parented"? What about any new parents who qualify for subsidy?	All families that are currently receiving fee subsidy should continue to do so and should see no disruption in their services or subsidies. Existing fee subsidy agreements may continue to be funded until the benefitting 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 child care licensees participating in CWELCC or licensees with programs servicing exclusively children aged 6-12.
Capital repairs	
42. As capital renewal costs are not eligible, how are eligible centres/agencies supposed to fund major repairs / upgrades?	CWELCC allocations do not include specific funding for capital renewal (such as major repairs and replacement builds) or expansion. Capital renewal funding for new major repair costs is not included in benchmarks. Some new capital renewal costs (for example, in publicly funded school settings) could be covered by school boards or other government funding. Also, CMSMs/DSSABs may use any funding flexibility to support eligible centres/agencies that incur non-discretionary and unexpected eligible costs above their Program Cost Allocations (such as emergency capital repairs to minor assets) – refer to In-year Adjustments (in Part 1 of the Cost-Based Funding Guideline). CMSMs/DSSABs may consider, for example, other revenue sources available to the eligible centre/agency such as reserves and non-base fee revenue, other government funding and loans (noting that financing costs may be eligible costs). Finally, for clarity, 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 previous/other government funding, including CWELCC funding.

Question	Answer
43. Currently, special purpose funding for maintenance and play-based materials sits outside of CWELCC. Will that funding continue to be available?	The estimated part of the base allocation related to age 6-12 children remains in Local Priorities funding. The portion related to age 0-5 children has been reinvested into cost-based funding allocations and is included in the benchmark allocations.
Municipal cost-share	
44. How will the cost-share obligations change with the implementation of the costs-based approach?	The implementation of the 2025 child care funding formula and framework requires CMSMs/DSSABs to maintain municipal cost share requirements at historical levels. The ministry assumed that the municipal cost share contributions remain the same as per 2024 transfer payment agreements. Noting that, as per CWELCC Agreement obligations, the provincial share will be spent first, the municipal share second and the federal funding last. The cost-shared contributions will apply to Cost-Based Funding and to Local Priorities, except for WEG/HCCEG and Wage enhancements under Workforce Strategy (WFS), Professional Learning under WFS, Small Water Works and Territory without Municipal Organization. More detail will be provided on updated transfer payment agreements later in 2024
Next parent fee reduction	
45. How will the next base fee reduction work in 2025?	To support the transition to a $10 per day average fees by the end of 2025-26, families with children in programs enrolled in the CWELCC system would see child care base fees capped at $22 per day effective January 1, 2025. This means that, starting January 1, 2025, the base fee would be the lesser of $22 or the reduced base fee charged to parents on December 31, 2024 (which would typically equal the frozen daily base fee multiplied by (100% - 52.75% = 47.25%), to a minimum of $12 per day).

Question	Answer
46. Will there be consultations on amendments to O.Reg 137/15 under the *Child Care and Early Years Act, 2014* related to the next parent fee reduction?	In Ontario, when regulatory amendments that affect businesses (including licensed child care programs) are proposed, the public has an opportunity to provide feedback. Proposals are posted for a minimum of 45 days on the Ontario Regulatory Registry and feedback can be provided through the website. Additional information, including a link to the posting on the regulatory registry, will be provided to the sector in the coming weeks.
CMSMs/DSSABs Administration Allocation	
47. How did the ministry calculate the 2025 administration allocation?	2025 administrative funding allocations total $78.9 million: $50.3 million in routine child care administration funding and $28.6 million in CWELCC administration funding. Routine child care administration funding was allocated to equal the 2024 administration threshold for General and Expansion Plan, *plus* 2024 administration threshold for ELCC, *plus* 2024 Wage Enhancement/HCCEG Administration, *minus* the 2024 required 50/50 administration cost-share. CWELCC administration funding was allocated using the same methodology as in 2024:

2025 CWELCC Administration Data Elements	Benchmark
Base allocation for each CMSM/DSSAB	$80,863
Number of licensed child care spaces as of December 31, 2022 per Child Care Licensing System (infant, toddler, preschool, kindergarten and family age group)	$69.84 per space
Home child care enrolment of eligible children as of December 31, 2022 per 2023 Child Care Operator Survey	$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/child enrolled

Question	Answer
48. How did the ministry allocate the incremental 2024 CWELCC administrative funding?	To allocate the incremental 2024 CWELCC administrative funding ($27.5 million), the ministry allocated a base amount ($80,863) to each CMSMs/DSSAB and distributed the remaining funding envelope based on a weighted number of eligible centres/agencies. Weights were a function of the expected number of eligible centres/agencies requiring legacy top-up assessment (which were weighted four times more than those that don't require top-up). This is to recognize the additional work CMSMs/DSSABs will have to undertake, particularly in more typically expensive communities.