



**Ministry of Education**

***ADDENDUM TO***

**Ontario Child Care and EarlyON Child and Family  
Centres Service Management and Funding  
Guideline (2022)**

***For Consolidated Municipal Service Managers and  
District Social Services Administration Boards***

*Released April 2022*

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## DEFINITIONS

In this guideline, the following terms will have the following meanings:

**“Base fee”** means 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 *Child Care and Early Years Act, 2014* (CCEYA), or anything a licensee requires the parent to purchase from the licensee, but does not include a non-base fee.

**“CMSM/DSSAB”** means a Consolidated Municipal Service Manager/District Social Services Administration Board (CMSM/DSSAB) designated as a Service System Manager as defined in the CCEYA.

**“CWELCC System”** means the Canada-Wide Early Learning and Child Care System for early years and child care funding provided for in an agreement entered into by the Province of Ontario and the Government of Canada.

**“eligible child”** means any child under six years old; and up until June 30 in a calendar year, any child who (a) turns six years old between January 1 and June 30 in that calendar year, and (b) is enrolled in a licensed infant, toddler, preschool or kindergarten group, a licensed family age group, or home child care, as defined in the CCEYA.

**“Funds”** means the money the ministry provides to the CMSM/DSSAB to allocate pursuant to the CWELCC System.

**“Licensee”** means a home child care agency or child care centre-based operator as defined in the CCEYA.

**“Non-base fee”** means any fees charged for optional items or optional services, such as transportation or field trips, or any fees charged pursuant to an agreement between the parent and the licensee in respect of circumstances where the parent fails to meet the terms of the agreement (e.g. fees for picking up a child late, fees to obtain items that the parent agreed to provide for their child but failed to provide), as defined in the CCEYA.

## OVERVIEW

This addendum to the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2022) (“Guideline Addendum”) has been released to provide CMSMs/DSSABs with information on recent changes as per the new investments through the Canada-Wide Early Learning and Child Care (CWELCC) Agreement.

This Guideline Addendum outlines the parameters under which the Ministry of Education (the ministry) will flow funding to CMSMs/DSSABs in 2022 under the CWELCC System, and describes the requirements of the funding, including obligations for CMSMs and

DSSABs.

Please note that previous direction outlined in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2022) continues to remain in place, with the exception of the new investments described below, until they are superseded or replaced by a revised guideline. In the event of a conflict between this document and the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2022), this document will prevail.

## **CANADA-WIDE EARLY LEARNING AND CHILD CARE SYSTEM**

The Government of Canada has identified child care as a national priority to enhance early learning and childhood development, support workforce participation and contribute to economic recovery.

Through its 2021 Budget, the federal government committed to investing in a national child care system with all provinces and territories, as well as Indigenous organizations. As part of this agreement, Ontario will receive \$13.2 billion over six years beginning in 2021-22.

Funding under the Canada-Wide Early Learning and Child Care Agreement (CWELCC) will be used to build and leverage the success of Ontario's existing early learning and child care system by increasing quality, accessibility, affordability and inclusivity in early learning and child care, towards achieving the objectives of:

- a) Providing a 25% fee reduction retroactive to April 1, 2022 building to a 50% reduction in average parent costs (based on 2020 levels) for licensed early learning and child care by the end of calendar year 2022 and reaching an average parent fee of \$10 a day by 2025-26 for licensed child care spaces;
- b) Creating 86,000 new high-quality, affordable licensed child care spaces (relative to 2019 levels), predominantly though not-for-profit licensed child care;
- c) Addressing barriers to provide inclusive child care; and
- d) Valuing the early childhood workforce and providing them with training and development opportunities.

### **Initial Transition**

The ministry understands that 2022, the initial year of roll-out for the CWELCC System, will be a year of transition and adjustment for the early years and child care sector. Ontario is taking a phased approach to implementing the CWELCC System, with a focus on the immediate objectives of affordability for families and system stability, before moving on to addressing the objectives of increasing accessibility and inclusion over the longer term.

This phased approach will allow the ministry to engage with service system managers and the broader early years and child care sector, provide the time for sector partners to align with the terms and conditions of the CWELCC System, and enable the ministry to make the necessary implementation adjustments as the early years and child care landscape evolves.

## **Implementation**

Ontario will provide Funds to CMSMs/ DSSABs to support the objectives for licensed child care programs under the CWELCC System. This Guideline Addendum and the Funds detailed in Budget Schedule D4 of its associated 2018 Child Care and EarlyON Transfer Payment Agreement (amended April 2022), is provided specifically in support of the objectives under the CWELCC System and is separate and distinct from Budget Schedules D1, D2 and D3 2022 Child Care, EarlyON and Workforce Allocations.

Nothing in this Guideline Addendum detracts from the Licensee's obligations under the *Child Care and Early Years Act, 2014* (CCEYA) or any other legislation and to the extent of a conflict the legislative requirements will govern. The Guideline Addendum is made up of the following parts:

Section 1: Participation

Section 2: Accountability

Section 3: Administrative Spending Guidance

Section 4: Fee Reduction

Section 5: Fee Subsidy – Parental Contribution Reduction

Section 6: Workforce Compensation

Appendix A: 2022 CWELCC Funding Formula Technical Paper

Appendix B: CWELCC Funding formula Tip Sheet

Appendix C: 2022 Purchase of Service Agreement Checklist

Appendix D: Sample CWELCC Application Form

Appendix E: Template Letter from Licensees for Parents

## **SECTION 1: PARTICIPATION**

### **PURPOSE**

All Licensees with programs serving children under the age of 6 (or turning 6 before June 30) in Ontario are eligible to apply to participate in the CWELCC System through their CMSM/DSSAB. Participation in the CWELCC System is optional; however, Licensees are encouraged to participate and CMSMs/DSSABs are encouraged to enroll Licensees so that families can benefit from fee reductions.

The Licensee will be able to choose to (1) participate in the CWELCC System, or (2) not participate and operate outside the CWELCC System. CMSMs/DSSABs may deny an application for enrolment in limited circumstances outlined in O.Reg.137/15.

Licensees that wish to participate in the CWELCC System must indicate their intent to do so to the CMSM/DSSAB by September 1, 2022.

### **CONTEXT**

The CWELCC System provides Ontario with an opportunity to leverage federal investments to address the priorities important to Ontario's children, families, workers, and businesses.

### **ELIGIBILITY CRITERIA**

1. Licensees participating in the CWELCC System must have a purchase of service agreement with the CMSM/DSSAB in the areas they provide care and operate under the criteria outlined in this Guideline Addendum to receive funding from the CMSM/DSSAB to reduce child care fees for eligible children and increase compensation for eligible staff.
  - a. CMSM/DSSABs must enter into a purchase of service agreement with Licensees who apply for participation in the CWELCC System, and meet all the criteria below, regardless of whether the Licensee is a for-profit or not-for-profit operator, unless the CMSM/DSSAB has evidence of an exceptional circumstance (see Declining an Application below); Licensees must work with the CMSM/DSSAB to operate under the terms and conditions of the agreement.
  - b. The ministry has provided CMSMs/DSSABs with a checklist of recommended parameters (Appendix B) to be considered for inclusion in their purchase of service agreement with the Licensee.
2. Licensees participating in the CWELCC System will need to demonstrate financial viability to the CMSM/DSSAB.
3. All Licensees, regardless of participation in the CWELCC System, must maintain current parent fees for eligible children unless a fee increase was communicated to families/parents on or before March 27 2022. All licensed child care programs serving



eligible children are subject to the fee freeze until one of two conditions is met:

- a. The Licensee notifies the CMSM/DSSAB, staff and the parents of eligible children in writing that they are NOT participating in the CWELCC System this year and will not be subject to terms and conditions of the System; or
  - b. The Licensee participates in the CWELCC System and is subject to the regulatory rules for parent fees in participating programs (pursuant to O. Reg. 137/15 (s.77.4) made under the CCEYA).
4. Licensees participating in the CWELCC System must maintain existing (pre-CWELCC System announcement on March 27, 2022) licensed spaces for children ages 0-5 (e.g., a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the CMSM/DSSAB and the CMSM/DSSAB should determine whether this may result in a funding adjustment or recovery from the Licensee.
  5. Licensees must complete and submit an application to the CMSM/DSSAB to demonstrate that they meet the stipulated criteria in order to be eligible to participate in the CWELCC System. The ministry has provided CMSMs/DSSABs with a sample application form for reference (Appendix C).

## **IMPLEMENTATION**

As service system managers, CMSMs and DSSABs are required to have a policy and plan in place for the intake and administration of funding to Licensees that express interest in participating in the CWELCC System.

For the initial transition year of the CWELCC System, all child care programs licensed as of March 28, 2022 are required to notify parents and staff by September 1, 2022 of whether or not they intend to participate in the CWELCC System. Under O. Reg. 137/15, all Licensees are subject to this requirement and must communicate one of the following to parents and staff:

- the Licensee is choosing NOT to participate in the CWELCC System and will not be subject to terms and conditions of the CWELCC System; or
- the Licensee will be applying to a CMSM/DSSAB to participate in the CWELCC System.

Licensees applying to participate in the CWELCC System are required under O.Reg.137/15 to communicate to all parents and staff when a decision is made by the CMSM/DSSAB within 14 days of the CMSM/DSSAB's notification of their approval or denial.

CMSMs/DSSABs are encouraged to process Licensee applications as soon as possible to ensure Licensees are able to make parent refunds in a timely fashion. Applications received by September 1, 2022 should be processed prior to December 31, 2022. Child care programs enrolled post-December 31, 2022 are not eligible for retroactive fee reduction (see Section 4: Fee Reduction).

CMSMs/DSSABs must enroll and fund Licensees that meet the eligibility requirements listed above, including for-profit Licensees, unless there are exceptional circumstances where the CMSM/DSSAB declines to enter into a purchase of service agreement with a Licensee (see Declining an Application section below).

- a. Regional quality assessment programs/tools must not be used as qualifying criteria by the CMSM/DSSAB in CWELCC System application and funding approvals and must not be used as a condition of participation in the CWELCC System.
- b. Funding provided through the CWELCC System is specific to meeting the CWELCC System's objectives. Licensees entering into a new purchase of service agreement for the CWELCC System are not eligible to access 2022 Child Care, EarlyON and Workforce Allocations (with the exception of the Wage Enhancement Grant) if they are not already in receipt of this funding.

Ontario is working toward developing an inclusion plan that supports child care access for low income children, vulnerable children, children from diverse communities, children with special needs and Francophones and Indigenous children. As part of the initial roll out of the CWELCC System, Licensees entering into new purchase of service agreements associated with fee reduction and workforce compensation are encouraged to work with their CMSM/DSSAB to develop a plan to ensure children in receipt of fee subsidy and children with special needs have access to the Licensee's child care programs by January 1, 2025.

### **New Licensees Post April 1, 2022**

Child care programs/operators that obtain their licence after March 27, 2022 will be required to set their parent fees at or below a regional maximum, as set out by age group pursuant to O.Reg.137/15 of the CCEYA, unless a specific fee amount was communicated to parents before the requirement under the regulation became effective. These regional maximum fees would apply until one of the two conditions set out above is met: 1) the Licensee provides notification to CMSM/DSSAB, parents and staff that the Licensee is not participating in the CWELCC System, or 2) the Licensee receives notice from the CMSM/DSSAB that its application for the CWELCC System has been accepted or rejected (see Section 4: Fee Reduction).

### **Operating the CWELCC System**

CMSMs/DSSABs must ensure that for the duration of the CWELCC purchase of service agreement:

- Licensees maintain their licence to operate in good standing in accordance with the CCEYA and are not in contravention of the CCEYA. CMSMs/DSSABs are required to stop funding a child care program that has its licence revoked or suspended by the ministry (director).
- Licensees reduce and set parent fees in accordance with O. Reg. 137/15. Licensees are required per O. Reg.137/15 (s.82.1) to keep a copy of their purchase of service agreement, in electronic or hard copy format, on the child care premises, and

available for ministry inspection.

- Licensees maintain the aged 0-5 spaces for which they are receiving fee reduction funding (e.g., a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the CMSM/DSSAB and CMSMs/DSSABs should determine whether this may require adjusting or recovering funding from the Licensee.
- Licensees complete the annual *Licensed Child Care Operations Survey*, as required by a ministry director, under O. Reg. 137/15 (77). CMSMs/DSSABs are required to withhold funding to Licensees until the CMSM/DSSAB has confirmed that the survey has been submitted. CMSMs/DSSABs will receive confirmation from the ministry upon the Licensee's submission of the survey.

## **Non-Participation**

Licensees that have notified their CMSM/DSSAB that they will not participate in the CWELCC System may continue to run their operations under the existing provincial licensing and regulatory framework and purchase of service agreements with their local CMSM/DSSAB (if applicable). Licensees that do not participate will not receive CWELCC System funding and may continue to set out their own parent fees. Licensees are required to indicate in their parent handbook that they are not participating in the CWELCC system and must include their fee amounts.

Licensees that indicate they are not participating in the CWELCC System will not be permitted to change that decision and apply to participate for the remainder of 2022.

Unlicensed child care programs, including unlicensed home child care, authorized recreational programs and school board-operated extended day programs, are not eligible to participate in the CWELCC System. Unlicensed providers that wish to participate in the CWELCC System may want to consider applying to the ministry for a licence under the CCEYA to operate a child care centre or home child care agency, or reach out to a local home child care agency to begin providing child care that is overseen by the home child care agency.

The ministry may make an adjustment to the Fee Reduction and Workforce Compensation allocations provided to CMSMs/DSSABs to account for Licensees that opt-out and do not participate. Where the number of Licensees opting out exceeds 2% of the total Licensees within the CMSM's/DSSAB's region, the ministry will adjust CWELCC allocations prior to the Financial Statement reporting cycle between the ministry and CMSMs/DSSABs as outlined in the 2022 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guidelines.

## **REPORTING**

CMSMs and DSSABs will be required to report to the ministry on the following data for

Licensee participation in the CWELCC System for 2022:

- By September 16, 2022, a list of Licensees that have indicated they have chosen not to participate and will operate outside the CWELCC System.
- Total number of Licensees submitting an application to participate in the CWELCC System.
- Total number of Licensees who have signed a new purchase of service agreement with the CMSM/DSSAB, including auspice.
- List of Licensees whose applications have been declined, and the rationale for denying enrolment in the CWELCC System.
- CMSM/DSSAB expenditures to support administration, implementation, transition and IT costs associated with supporting the CWELCC System (see Administrative Spending Guidance section).

## Targets

In accordance with the [Transfer Payment Accountability Directive](#), there are contractual service targets for child care tied to the service agreement with the Province to support accountability and facilitate funding recovery, where required.

The ministry is taking a phased approach to implementing the CWELCC System by focusing on the immediate objectives of affordability and wage improvements, before moving on to develop a new funding formula and addressing the objectives of increasing access and inclusion over the longer term.

The ministry will negotiate with CMSMs and DSSABs the contractual service targets associated with accessibility (child care space creation and/or expansion), quality (workforce professional development), and inclusion prior to 2023.

## Appeals

CMSMs/DSSABs are required to have a local dispute resolution process in place to allow for Licensees to bring forward issues regarding CWELCC System eligibility and funding decisions.

## Declining An Application

Under the CWELCC System, there may be exceptional circumstances where the CMSM/DSSAB has strong concerns around entering into a purchase of service agreement with a Licensee. Exceptional circumstances include the CMSM/DSSAB having reason to believe:

- the child care centre or home child care agency is not financially viable or will not be operated in a manner that will be financially viable; or

- the Licensee will use the funding for improper purposes.

CMSMs/DSSABs are required to report to the ministry within five business days all Licensees whose applications have been declined due to such exceptional circumstances and the rationale. The ministry reserves the right to discuss with the CMSM/DSSAB on a case-by-case basis the decision to decline an application and may work with the CMSM/DSSAB to develop public messaging around such decisions. CMSM/DSSABs are encouraged to contact their [Early Years Advisor](#) to discuss a funding decision regarding a Licensee.

## SECTION 2: ACCOUNTABILITY

The ministry is providing updated guidance and accountability parameters for CMSMs/DSSABs as part of the implementation of the CWELCC System, which includes the following key components:

- Additional accountability and parameters between CMSMs/DSSABs and Licensees as identified in this Guideline Addendum;
- Requirement for CMSMs/DSSABs to conduct financial compliance audits with a random sample of Licensees each year to ensure compliance and accountability related to the requirements of the CWELCC System; and
- Requirement for CMSMs/DSSABs to enroll Licensees where they meet eligibility requirements. Please refer to the Participation section of the guidelines for further details.

The ministry understands that 2022 will be a transitional year for both CMSMs/DSSABs and Licensees and CMSMs/DSSABs should continue to work with Licensees based on the parameters as outlined in this Guideline Addendum.

While 2022 is a transitional year, in 2022, at minimum, the following requirements must be upheld:

- CMSMs/DSSABs are responsible for ensuring that funding is being provided to Licensees to ensure the objectives of the CWELCC System for 2022 will be achieved;
- The requirement for CMSMs/DSSABs to fund the **actual** cost associated with supporting mandated fee reductions to a Licensee's base fees as defined under O. Reg. 137/15 and supporting mandated wage increases for eligible staff (see Section 2 – Financial Reporting of this Guideline Addendum for details on actual costs);
- CMSMs/DSSABs must work within the CWELCC funding provided by the ministry.

- Ineligible expenditures, as outlined in this Guideline Addendum, must not be funded using CWELCC funding;
- Funding parameters regarding for-profit Licensees as outlined in this Guideline Addendum must be upheld; and
- CMSMs/DSSABs who directly operate licensed child care programs must work with the ministry to identify an accountability framework that meets the objectives stated in this Guideline Addendum.

## FRAMEWORK AND ACCOUNTABILITY

The following framework and parameters described in the sections below are applicable to the portion of the Licensee's child care business for eligible children to support fee reduction, as well as funding for eligible staff to support workforce compensation (see Sections 4 and Section 6 for further information on eligibility).

Funding to support the objectives of the CWELCC System will be provided as operating grants from CMSMs/DSSABs to Licensees.

CWELCC funding does not displace existing provincial operating funding currently being provided to a Licensee. CWELCC Funds support the objectives of the CWELCC System and are provided in addition to any provincial and ELCC funding currently being provided to Licensees.

CMSMs/DSSABs must also continue to maintain their existing municipal investments in child care.

Note that any requirements related to existing provincial and ELCC funding based on the 2022 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guidelines must continue to be met.

To support fee reductions in child care for eligible children, CWELCC funding will be provided by CMSMs/DSSABs to Licensees to support the **actual** cost associated with a mandated reduction in a Licensee's base fee as defined under O. Reg. 137/15.

Actual cost means funding to support the costs incurred in the portion of the Licensee's child care business for eligible children, net of fee generated revenues received by the Licensee from base fees, any provincial and current ELCC funding, municipal funding, and other revenues provided to a Licensee to support the costs associated with base fees for eligible children.

Funding should be provided to support the gap between the Licensee's actual eligible costs and revenues related to base fees and other funding sources received (see Section 2 –

Financial Reporting of this Guideline Addendum for further details).

To ensure consistent financial management practices across all Licensees and that adequate funding is available as Licensees enroll in the program throughout the year, CMSMs/DSSABs should not provide funding to reduce base fees for eligible children in excess of what is required to meet the CWELCC initiatives (e.g., funding is not to be provided to Licensees to replace old play-based material and equipment, where unnecessary, unless it is warranted as determined by the CMSM/DSSAB).

Non-base fees charged by the Licensee to parents for things that are not included in the base fee, as well as their associated costs, must be omitted by CMSMs/DSSABs when determining the funding amounts to be flowed to enrolled Licensees. Refer to the Fee Reduction section of this Guideline Addendum for further information on non-base fees.

For mandated increases related to workforce compensation, funding should be provided to Licensees for all eligible staff in accordance with the parameters set out in the section on Workforce Compensation of the Guideline Addendum.

CMSMs/DSSABs must have policies and procedures in place as part of their financial review and reconciliation process with Licensees to ensure that CWELCC Funds are provided to support the actual costs based on the parameters provided under this Guideline Addendum. Any unspent funding provided to Licensees during the funding year, or funding not used for its intended purpose, must be recovered by the CMSM/DSSAB and returned to the ministry.

CMSMs/DSSABs are responsible for ensuring that funding is being provided to Licensees in accordance with this Guideline Addendum to ensure the objectives of the CWELCC System for 2022 will be achieved. CMSMs/DSSABs must work within the CWELCC System funding provided.

Note that all funding parameters and controls described will apply to all Licensees regardless of whether they are a not-for-profit, for-profit, or directly operated by the CMSM/DSSAB.

## **Funding Considerations**

The following measures must be implemented by CMSMs/DSSABs as part of their new funding framework with Licensees:

- CMSMs/DSSABs and Licensees must adhere to all requirements as set out in applicable legislation, regulation and the parameters in this Guideline Addendum.
- Ineligible expenditures must be excluded from CWELCC funding and may be funded by other income sources from the municipality or fee generated revenues, as specified by this Guideline Addendum below.

- CMSMs/DSSABs are required to collect sufficient and detailed financial information from Licensees related to the operations of child care for eligible children, fee reduction, as well as staff supported with workforce compensation. CMSMs/DSSABs will review all financial components including cost and expense line items for reasonability and eligibility, while ensuring CWELCC System objectives will be achieved, as outlined in this Guideline Addendum.
- CMSMs/DSSABs will have discretion to determine reasonability of expenditures when reviewing a Licensee's actual cost and expense line items.
- CMSMs/DSSABs should review to ensure that a Licensee's existing cost structure for child care for eligible children has been maintained subsequent to the CWELCC announcement and that prior to enrolment, any significant changes to the Licensee's cost structure is warranted, in the opinion of the CMSM/DSSAB.
- CMSMs/DSSABs have the right to deny Funds to a Licensee for expenses, or to only pay what is deemed to be fair market value where expenditure levels are determined to be unreasonable, ineligible based on ministry parameters, unrelated to child care, deemed to not be transacted at fair market value by the CMSM/DSSAB, or where transactions are with a related company.
  - However, CMSMs/DSSABs should note that 2022 continues to be a transition year, and where a Licensee's cost structure is not currently aligned with all the parameters set out in this Guideline Addendum, Licensees should not be prevented from enrolling in CWELCC for this reason alone. CMSMs/DSSABs should work with Licensees to align budgets in order to adhere with requirements in this Guideline Addendum.
- CMSMs/DSSABs should ensure funding provided to Licensees supports inflationary costs associated with base fees for a Licensee's child care operations for eligible children, including inflationary compensation increases for staff. Funding for 2.6% inflationary increases has been provided through the allocation in 2022.
- CMSMs/DSSABs should review the Licensee's child care operations for eligible children for long term vacancies that continue to remain unfilled and whether adjustments to the funding are required where long term vacancies are identified and not mitigated.
- CMSMs/DSSABs must also consider whether the Licensee's operation is sustainable and financially viable. CMSMs/DSSABs have the discretion to define sustainable and financial viability.
- CMSMs/DSSABs must also verify that increases to parent fees in child care for eligible children were permitted in accordance with the requirements set out in O. Reg. 137/15, (i.e., a fee increase must be communicated to families/parents prior to March 27,



2022).

- Licensees must maintain the age 0-5 spaces for which they are receiving funding to reduce base fees for eligible children (e.g., a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the CMSM/DSSAB and CMSMs/DSSABs should determine whether this may require recovering funding from the Licensee.
- As 2022 is a transitional period, CMSMs/DSSABs have discretion and may allow Licensees, until the end of 2022, to align their budget/operations with the funding parameters where applicable, other than the requirements that must be upheld for 2022, as noted at the beginning of this section.
- CMSMs/DSSABs will be provided with specific allocations under a transfer payment agreement with the Province to support base fee reductions for eligible children and workforce compensation in accordance with the requirements under this Guideline Addendum. CMSMs/DSSABs may use the funding provided from their Fee Reduction allocation to support Workforce Compensation, and vice versa, where needed, as long as the CMSMs/DSSABs ensure that adequate funding is available to meet each specific objective.
  - CMSMs/DSSABs are fully responsible for budgeting to ensure that the allocated Funds are prioritized for each respective initiative first, and that adequate funding is available to support these priorities.
  - Where priorities for CWELCC initiatives are met and excess funding remains, funding can be used to support a Licensee's general operating expenses (e.g., where there may be inflationary pressures for rent, food costs etc.).
    - i. Note, 2022 CWELCC allocations include funding 2.6% inflation.
  - Excess funding, if any, cannot be used to support fee subsidies, ineligible expenditures set out in this Guideline Addendum, additional administration funding for CMSMs/DSSABs beyond the specified administration allocation provided, expenditures supporting 6-12 age groups, lowering daily base fees beyond what is required under O. Reg. 137/15, fee holidays (i.e., a period where parents pay no fees to Licensees as CMSMs/DSSABs are covering the fees), and enhancing wages beyond what is mandated as part of workforce compensation funding.

### **Additional Parameters**

For the expenditure categories outlined below, the following should be included as part of the CMSM/DSSAB's review process related to supporting costs associated with a Licensee's base fee as defined under O. Reg. 137/15 for eligible children for fee reduction, as well as the funding for workforce compensation (where applicable below).

For fee reduction, where a Licensee currently operates child care for both eligible children and children who are not eligible and has shared costs, CMSMs/DSSABs have the discretion to determine an appropriate methodology that proportionately allocates shared costs to operations related to eligible children in order to determine the actual cost of child care which can be supported with CWELCC funding.

Expenditure	Parameters
Staffing Costs	<p>The ministry will require Licensees who receive CWELCC funding to increase wages and benefits to support a wage floor and annual wage increase for all eligible staff (see Wage Compensation section of the Guideline Addendum), where applicable. See the Workforce Compensation section of the guidelines for further details.</p> <p>For the portion of the Licensee’s child care operations for eligible children, CMSMs/DSSABs will have discretion to determine reasonability including staffing needs, along with discretion to determine the expenditures to fund.</p> <p>Though not required, the ministry recommends that at least 80% of the Licensee’s budget to support the operations for eligible children should be allocated to wages and benefits (this includes payments to Home Child Care (HCC) providers for licensed home child care agencies), with a maximum of 10% of the funding for wages to be used for other administrative positions directly related to the operation of the child care.</p> <p>As wages and benefits have a significant impact on the Licensee’s child care for eligible children, Licensees must provide detailed information regarding staffing costs to CMSMs/DSSABs for review.</p>
Child Care Management- Salaries and Benefits	<p>CMSMs/DSSABs are responsible for assessing child care management salaries and benefits for reasonableness, prior to funding.</p> <p>Note that child care management salaries and benefits are defined as an individual’s total salary and benefits received in a calendar year.</p> <p>CMSMs/DSSABs should review the individual’s past salaries and other factors to determine what is reasonable.</p> <p>For multi-service organizations where an individual oversees multiple sites and operations that may be unrelated to child care, CWELCC</p>

	<p>funding should be provided for the individual’s salaries and benefits that can be attributed to operating child care for eligible children only.</p> <p>Going forward, any increases in salaries and benefits for child care management must be no higher than the increases provided for program staff in a given year. CMSMs/DSSABs should review increases for reasonability.</p> <p>Please note that all other compensation should be excluded from provincial and/or CWELCC funding. See ineligible expenditures section for further details.</p> <p>CMSMs/DSSABs will have discretion in determining whether any individual should be categorized or not categorized as part of child care management.</p>
<p>Accommodation Costs</p>	<p>CMSMs/DSSABs should compare accommodation costs (i.e., rent) for each Licensee with accommodation costs for other similar community-based or school-based Licensees within their local community to inform decisions regarding the reasonability of accommodation costs.</p> <p>Please note that Licensees may not have control over the rent paid and prices may vary depending on the location of the Licensee as well as other factors. As a result, some locations, based on demand, may be required to pay rent that is higher than others.</p> <p>The ministry recognizes these circumstances, along with the potential challenges of finding a new child care location with lower accommodation costs which would also result in service disruptions for families.</p> <p>CMSMs/DSSABs should consider these factors as part of their review and as a result, CMSMs/DSSABs have discretion to fund what the CMSM/DSSAB determines as reasonable market-based costs.</p> <p>For Licensees that have mortgage costs, CMSMs/DSSABs will need to ensure that provincial and/or CWELCC funding is not being used to support principal/interest payments (see ineligible expenditures section). Licensees should use their parent fee generated revenues to support principal/interest payments for the portion of the property related to the operation of child care for eligible children.</p> <p>Where a Licensee is a multi-service agency, fee generated revenues should be used by the Licensee to support the principal/interest</p>

	<p>payments for the portion of the property that can be attributed to operating child care for eligible children only.</p>
Other Operating Costs	<p>Licensees are required to provide annual audited financial statements to CMSMs/DSSABs for review. As part of the review process, where high or unusual expenditures are flagged, CMSMs/DSSABs must perform a detailed review to determine reasonability and eligibility of expenditures.</p> <p>CMSMs/DSSABs are required to perform fair market comparisons for all major expenditures as part of their financial reviews of Licensees by comparing individual data of licensees with their knowledge of other Licensees within the system to inform decisions.</p> <p>CMSMs/DSSABs will have the discretion to withhold funding for any expenditures that are deemed too high and reserve the right to only provide funding for expenditures that the CMSMs/DSSABs deem as fair market value.</p>
Administration	<p>CMSMs/DSSABs may allow Licensees to spend up to 10% of CWELCC System operating funding received per centre on administration (which includes administration staffing costs and costs for audited financial statements).</p> <p>CMSMs/DSSABs should assess each Licensee’s actual administration needs and based on the individual circumstances, funding should be provided accordingly (i.e., administration funding provided to Licensees may be significantly less than 10%).</p> <p>Where additional administration is required by the Licensee above what the CMSM/DSSAB has determined for administration, Licensees will be required to justify why additional funding is required to CMSMs/DSSABs. CMSMs/DSSABs have discretion to approve, where deemed reasonable.</p> <p>Administration costs must be reviewed for reasonableness as part of the review process, irrespective of the maximum allowable amount.</p> <p>As this is a transitional year, CMSMs/DSSABs may allow Licensees, until the end of 2022, to align with any budget/operational changes based on their assessment.</p>
Financial Reserves	<p>While provincial and/or CWELCC funding cannot be used to directly contribute to a Licensee’s reserves, where a surplus is identified as</p>

	<p>part of the year end financial reporting process, this funding may support a Licensee's reserves, at the discretion of CMSMs/DSSABs.</p> <p>CMSMs/DSSABs may allow Licensees to accumulate a reserve of up to 3 months of operating expenses to support any contingencies.</p> <p>Reserves that exceed 3 months of operating expenses may result in a recovery by the CMSM/DSSAB.</p>
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**Ineligible Expenditures for CWELCC System**

Expenses that do not directly support the CWELCC System goals and initiatives (i.e., expenses that are not related to the provision of child care for eligible children and mandated compensation increases for eligible staff), are ineligible and include the following:

- Child care management compensation (outside of regular salaries and benefits received in a calendar year) including but not limited to transportation, meals, management bonuses, retirement packages, deferred compensation;
  - Reimbursement for transportation such as mileage is an eligible expenditure if reasonable, as determined by the CMSM/DSSAB.
- Debt costs including principal and interest payments related to capital loans, mortgage financing, and operating loans;
- Professional organization fees paid on behalf of staff for membership in professional organizations;
- Bonuses (including retiring bonuses), gifts and honoraria paid to staff are ineligible expenses except in the case that they are provided as a retroactive wage increase that will be maintained in the following year;
- Donations to charitable institutions or organizations;
- Fundraising expenses;
- Property taxes;
- Personal expenses (i.e., vehicles, assets or services for personal use only);
- Expenditures arising from transactions not conducted at arms-length, unless conducted at fair market value; and
- Any expenditure that is not used to support the provision of child care services (at the discretion of CMSMs/DSSABs).

For ineligible expenditures, CMSMs/DSSABs can determine whether these may be

supported with the Licensee's fee generated revenues, other sources of revenues for multi-service organizations, or through municipal funding, at the CMSM/DSSAB's discretion.

For eligible expenditures, please refer to the CWLECC initiative sections for further guidance.

### **Financial Reporting Process**

CMSMs/DSSABs must have policies and procedures in place as part of their financial review and reconciliation process with Licensees to ensure that CWELCC System funding is provided to support the **actual** cost incurred by a Licensee associated with a mandated reduction in a Licensee's base fee as defined under O. Reg. 137/15 as well as support for mandated wage increases for eligible staff.

For fee reduction, actual costs means funding to support the costs incurred in the portion of the Licensee's child care business for eligible children, net of fee generated revenues received by the Licensee from base fees, any provincial and current ELCC funding, municipal funding, and other revenues provided to a Licensee to support the costs associated with base fees for eligible children.

Funding should be provided to support the gap between the Licensee's actual eligible costs and revenues related to base fees and other funding sources received.

Non-base fees charged by the Licensee to parents must be omitted by CMSMs/DSSABs when determining the funding amounts to Licensees.

For the period where a Licensee charged a base fee that was higher than the applicable maximum base fee, funding should be provided to support retroactive refunds to parents for that period.

Funding for mandated wage increases for eligible staff should be in accordance with the parameters set out in the section on Workforce Compensation.

All child care Licensees in receipt of CWELCC funding must submit detailed financial information as well as audited financial statements to the CMSM/DSSAB to verify that the funding provided was used for the purpose(s) intended.

Any excess funding provided to Licensees during the funding year, or funding not used for its intended purpose, will be recovered.

Note that a Licensee's revenues and costs related to operating age groups that are not eligible for CWELCC funding should be excluded, outside of the mandated wage increases for eligible staff as part of workforce compensation funding.

CMSMs/DSSABs will review all financial categories in accordance with the parameters

described as part of this Guideline Addendum, while ensuring the Licensee is adhering to applicable legislation, regulations and ministry guidelines and parameters as part of the overall review process.

Where there are high or unusual expenditures, CMSMs/DSSABs must perform a detailed review to identify any significant variances, which may require follow up, based on the funding that was approved, and to determine reasonability of variances and eligibility of expenditures.

Where expenditures are ineligible, not related to child care, or are deemed to not be at fair market value, or where a transaction is with a related company, CMSMs/DSSABs have the right to withhold funding, reject the expense, recover funding already paid, or only provide funding for the expenditures the CMSM/DSSAB deems to be fair market value.

Expenditures not supported with provincial and/or CWELCC System funding may be supported with municipal funding, other sources of funding for multi-service organizations, or through parent fee generated revenues.

Note that as CWELCC System funding is not intended to replace current provincial funding. CMSMs/DSSABs may choose to count current provincial funding first before applying CWELCC System funding to eligible costs.

Where a Licensee currently operates both child care for eligible children and child care for children who are not eligible, and has shared costs, based on the audited financial statements and detailed financial information provided by Licensees, CMSMs/DSSABs have the discretion to determine an appropriate methodology that proportionately allocates shared costs to eligible child care operations in order to determine the actual cost of child care for eligible children which can be supported with CWELCC System funding.

CMSMs and DSSABs must have policies and procedures in place with Licensees to fulfill all reporting requirements to the ministry. CMSMs/DSSABs should take reasonable and progressive corrective actions where a Licensee does not comply with reporting requirements.

### **Reporting to the Ministry**

CMSMs/DSSABs will be required to report back to the ministry in accordance with the ministry's established reporting processes and timelines as set out in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline 2022.

For each CWELCC System funding initiative (i.e., fee reduction, workforce compensation etc.), CMSMs/DSSABs will be required to track and report on service data and expenditures using CWELCC System funding, separately from the 2022 service data and expenditures using provincial and ELCC funding released earlier this year.

For additional information on specific reporting requirements, please refer to the respective sections for each CWELCC System funding line.

## **Compliance Audits**

CMSMs/DSSABs will be required to undertake audits on a random sample of Licensees in receipt of CWELCC System funding on an annual basis to confirm that funding has been used for its intended purpose. Note that where a CMSM/DSSAB directly operates child care, audits for those directly operated programs should be performed by a third-party and not the CMSM or DSSAB.

Audit strategies for local implementation should be designed by the CMSM/DSSAB and should include a review of the Licensee for compliance related to the policies, parameters and directives as set out in this guideline.

The audit program must focus on compliance to ensure that the goals of the CWELCC System are being achieved, including reduced base fees being implemented consistently, and to ensure compliance with the workforce compensation requirements including increasing wages to support a mandated wage floor and annual wage increase.

Where the CMSM/DSSAB determines that funding was not used as intended or where the Licensee did not meet the terms and conditions set out in the purchase of service agreement between the CMSM/DSSAB and Licensee, the CMSM/DSSAB may recover funding and the Licensee may be deemed ineligible to receive future funding.

## **2022 Purchase of Service Agreement Checklist**

As part of the implementation of the CWELCC System, the ministry is also supporting CMSMs/DSSABs by providing a “Purchase of Service Agreement Checklist” as a supportive tool that may assist CMSMs/DSSABs in drafting or amending their purchase of service agreements with Licensees participating in the CWELCC System.

The checklist covers, at a high level, the requirements on CMSMs/DSSABs and Licensees in order to access CWELCC System funding.

The goal of providing this is to assist CMSMs/DSSABs in producing effective agreements that support the provision of child care services based on the parameters of the CWELCC System. At a minimum, the agreement should include terms and conditions that support the CMSM/DSSAB in complying with the new funding and accountability framework as set out in this Guideline Addendum.

## **Undue Profits**

In addition to the parameters outlined above, further controls are required to ensure that the ability to generate undue profit is limited where provincial and/or CWELCC System funding is



being provided.

The ministry requires CMSMs/DSSABs to ensure there is a level of consistency, where both not-for-profit and for-profit Licensees enrolled in the CWELCC System are treated in a similar manner.

For for-profit Licensees, on an annual basis, CMSMs/DSSABs will have the discretion to determine a reasonable profit level to be achieved from the provision of child care for the eligible children portion of a Licensee's business. However, CMSMs/DSSABs must also demonstrate consistent financial management practices, regardless of auspice (e.g., not-for-profit, for-profit, directly operated by CMSMs/DSSABs) as part of determining an appropriate profit level for each for-profit Licensee that participates.

The ministry notes that a reasonable surplus achieved from the provision of child care for the eligible children portion of a not-for-profit Licensee should be considered as the appropriate level of profit to be allowed for a for-profit Licensee. Based on this, funding provided to the for-profit Licensee can be adjusted accordingly.

CMSMs/DSSABs should leverage their local knowledge and can compare with other similar Licensees within their local community taking into account size, quality and location.

CMSMs/DSSABs will be required to include this maximum profit amount into the purchase of service agreements with for-profit Licensees on an annual basis.

Where net profit would otherwise exceed this amount, the Licensee will be required to return excess funding to the CMSM/DSSAB which will be returned to the ministry. CMSMs/DSSABs may also allow Licensees to accumulate financial reserves of up to 3 months of operating expenses to support any contingencies, as noted in the Additional Parameters section above.

As a reminder, CMSMs/DSSABs must continue to work within the CWELCC System funding provided by the ministry, while achieving the objectives of the CWELCC System.

In the case where the Licensee does not agree with the profit threshold as determined by the CMSM/DSSAB, please refer to Appeals under Section 1: Participation.

## **SECTION 3: ADMINISTRATIVE SPENDING GUIDANCE**

### **PURPOSE**

In their role as service system managers, CMSMs/DSSABs will be required to work with Licensees where they meet eligibility requirements and wish to enroll in the CWELCC System, which includes amending or entering into new purchase of service agreements and

working with Licensees to implement the goals of the CWELCC System

To support CMSMs/DSSABs in their role as service system managers, CWELCC System administration funding is being provided as a specific allocation under the transfer payment agreement with the ministry to support administrative costs associated with the implementation of the CWELCC System.

Funding provided to support other CWELCC programs (i.e., Fee Reduction, Workforce Compensation) must not be used to support a CMSM's/DSSAB's administrative costs. Administration funding to support CWELCC is restricted to the specific administration allocation provided in the transfer payment agreement.

## **ELIGIBILITY CRITERIA**

All CMSMs/DSSABs receiving funding under the CWELCC System are eligible to receive CWELCC System administration funding.

### **Eligible Expenses**

The CWELCC System administration allocation is additional administration funding provided on top of the administration funding provided by the ministry earlier in the year.

Expenditures deemed reasonable and necessary for the provision of services subsidized by the ministry are admissible in the calculation of the funding entitlement. These expenditures must be supported by acceptable documentation that is retained for a period of no less than seven years.

There will be no administration cost sharing requirements on the CWELCC System administration allocation.

CWELCC System administration expenses must represent actual expenses incurred for program administration and may not be expressed solely in terms of a percentage of program expenditures.

CMSMs/DSSABs may use administration expenditures to support costs related to implementation, transition and IT costs associated with supporting the CWELCC System.

For more information on eligible expenditures please refer to the Administration section of the 2022 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline, which defines the range of administrative expenditures that are eligible for administration funding.

## **Ineligible Expenditures**

Expenses that do not directly support the administration of the CWELCC System are ineligible and include the following:

- Costs associated with administering regional quality assessment programs/tools
- Interest expenses incurred on capital or operating loans
- Professional organization fees paid on behalf of staff for membership in professional organizations
- Property tax expenses
- Fundraising expenses
- Donations to charitable institutions or organizations
- Bonuses, gifts and honoraria
- Capital loans
- Mortgage financing
- Reserve funds

Where a CMSM/DSSAB exceeds the CWELCC System administration allocation as per the budget schedule, additional CWELCC System administration expenditures incurred by the CMSM/DSSAB must be funded with 100 percent municipal contributions.

## **REPORTING**

The CWELCC System administration expenditures are to be tracked separately from other child care administration funding for reporting purposes.

CWELCC System administration expenditures will be reported and monitored through financial submissions. CMSMs/DSSABs will also report on the following administrative service data in their Financial Statements submissions:

- Number of full-time equivalent staff by position;
- Number of staff (head count);
- Total salaries associated with each position type; and
- Total benefits for all staff.

CMSMs/DSSABs will not duplicate data in reports. Data and expenditures reported as part of administration in the child care core service delivery should not be reported as part of the CWELCC System.

## **SECTION 4: FEE REDUCTION**

### **PURPOSE**

Making child care more affordable for families is a key part of the implementation of the CWELCC System. Fee reduction funding is focused on reducing parent fees for families with eligible children in licensed child care.

Fee reduction funding is to be used by CMSMs/DSSABs to support parents, families and communities by reducing base fees for eligible children in licensed child care. CMSMs/DSSABs will work with child care licensees who choose to enroll in the CWELCC System in their regions to provide operating grants that will enable the parent fee reduction for families.

This section of the guideline provides an overview of the objectives, eligibility, implementation, expenditures and reporting requirements related to the Fee Reduction Funding.

### **OBJECTIVES**

To ensure stability and sustainability of the child care system while working towards Ontario's goals for affordability, access, inclusion and quality, fee reductions will be implemented using a phased approach over the course of the CWELCC System.

A graduated approach to fee reductions will begin in Spring 2022 as follows:

- A fee reduction of up to 25% (to a minimum of \$12 per day) for eligible children retroactive to April 1, 2022.
- A 50% fee reduction on average for eligible children by the end of calendar year 2022.
- \$10 per day average child care fees for eligible children by the end of fiscal year 2025-26.

As a first step, all Ontario families with eligible children in participating licensed child care will see a fee reduction of up to 25% (to a minimum of \$12 per day), retroactive to April 1, 2022. Retroactive refunds will be provided to parents for the period of May to December 2022.

### **ELIGIBILITY CRITERIA**

Funding under the CWELCC System is intended to support children under the age of 6 (0-5 year olds), with some exceptions for children with birthdays early in the year who are 6 years of age but are still enrolled in kindergarten.

Eligible children for whom fees must be reduced are defined under O. Reg. 137/15. Please refer to the regulation on further information on eligibility. An eligible child means:

- Any child under 6 years old; and
- up-until June 30 in a calendar year, any child who,
  - Turns six years old between January 1 and June 30 in that calendar year; and
  - is enrolled in a licensed infant, toddler, preschool, or kindergarten group, a licensed family age group, or home child care.

During the term of the CWELCC System funding agreement, the licensed child care program may not exceed two consecutive weeks of closure, and not more than four weeks of closure within a calendar year while still receiving full funding from the CWELCC System. Full parent fees cannot be charged for any closure above and beyond these timelines. The CMSM/DSSAB has the discretion to further restrict the period of closure (ie. may not exceed 10 consecutive days).

Any funding not used for the purposes set out under O. Reg. 137/15 and this Guideline Addendum will be recovered by the ministry.

In accordance with O. Reg. 137/15, Licensees must keep an electronic or hard copy of their purchase of service agreement with the CMSM/DSSAB at the child care centre or home child care agency and make it available to the ministry upon request.

## **IMPLEMENTATION REQUIREMENTS**

### **Overview**

Amendments to O. Reg. 137/15 have been made to support the implementation of the CWELCC System. CMSMs/DSSABs must review the updated regulation to ensure adherence and compliance in support of the implementation of the fee reduction for Licensees participating in the CWELCC System.

For definitions of Base Fees and Non-Base Fees, please refer to the Definition section at the beginning of this Guideline Addendum.

### **Cap on Fees**

In order to prevent Licensees from raising fees after the agreement between Canada and Ontario is executed, but before the Licensee enters into the CWELCC System, in accordance with O. Reg. 137/15, a cap on all base fees and non-base fees in child care for eligible children must be maintained by a Licensee at a child care centre it operates or at a home child care premises that it oversees.

Note that the cap on fees does not apply to fees charged to parents for children who are not eligible (i.e., school age children over 6 years), as these children will not be captured under

the CWELCC System.

If a Licensee was licensed on or before March 27, 2022, the cap on the base fee and on non-base fees for child care for eligible children is the amount charged on March 27, 2022, and the Licensee must not charge a parent a higher base fee or non-base fees after that day unless a specific fee increase had already been communicated to parents/families on or before that day. Where a Licensee chooses to participate in CWELCC, CMSMs/DSSABs must review the fee increase for reasonability, which must be specific to 2022.

CMSMs/DSSABs should work with Licensees to determine an initial base fee, in the case where the fee charged to parents does not include all required elements (e.g., parents are charged separately for meals, which is a requirement under regulation), or to exclude elements that should not be included in a base fee.

CMSMs/DSSABs should review what Licensees require parents to pay as part of the base fee. CMSMs/DSSABs have the discretion to determine that Licensees have included unnecessary fees in their base fees (e.g., fees that should be part of non-base fees), prior to providing funding to support a fee reduction. Based on this, CMSMs/DSSABs can adjust a Licensee's base fee, where required. This base fee should serve as a new starting point, prior to applying fee reduction requirements as set out in the section below.

If a Licensee becomes licensed after March 27, 2022, the cap on the base fee is based on a regional maximum as set out in O. Reg 137/15, which provides a table of capped fees by program and CMSM/DSSAB. These regional maximum fees would also apply to any new age groups that a Licensee starts to operate after March 27, 2022 (e.g., they apply to revise their license to add an infant room), or where a Licensee begins operating an age group after March 27, 2022 that it had not operated for at least two years (e.g., a licensee wishes to use an alternate capacity that has not been used recently or re-open a room that was closed during the pandemic). See O. Reg. 137/15 for further details. The Licensee must not charge a parent a higher daily base fee after that day, unless a specific fee increase had already been communicated to parents on or before that day based on the conditions noted above.

Regardless of the maximum fees set out in O. Reg. 137/15, CMSMs/DSSABs should exercise their discretion to determine whether the maximum fee is a reasonable base fee for new Licensees who are subject to these maximums (e.g., it may not have been reasonable for a new licensee who is operating in an area with significantly lower than average costs to have charged the regional maximum fee).

Licensees will continue to be subject to the capped fee until one of two conditions is met:

- The Licensee notifies their CMSM/DSSAB and parents of eligible children in writing that they are NOT participating in the CWELCC System in 2022; or,
- The Licensee receives notice from the CMSM/DSSAB of the results of its application to enroll in the CWELCC System.

Licensees that indicate they are not participating in the CWELCC System (and are therefore

no longer subject to the capped fee) will not be permitted to apply for enrollment in 2022.

### **Fee Reduction**

For Licensees that enroll in the CWELCC System, O. Reg. 137/15 sets out rules regarding what Licensees will be permitted to charge parents as part of their daily base fee.

Licensees enrolled in the CWELCC System must ensure that parents of an eligible child are charged a base fee determined as follows:

If the cap on a Licensee's base fee, based on the section above, is more than \$11.99 per day, the Licensee's new base fee once in the CWELCC System will be the greater of:

- \$12 per day; and,
- the amount of the capped base fee, less 25 percent.

Note that if the capped base fee is less than \$12 per day, the fee should be maintained.

Licensees are also required to reduce the cost of a full fee space that is occupied by an eligible child receiving fee subsidy. Please refer to Section 5 of the Guideline Addendum for further details.

If a home child care agency is enrolled in the CWELCC System, home child care Licensees must also charge the parent of an eligible child a base fee determined based on the above. The base fee would apply to children who are agency placed and those children that are privately placed in the provider's care. CMSMs/DSSABs should work with agencies to ensure that parents of eligible privately placed children also receive a fee reduction.

Licensees are permitted to continue charging higher parent fees for 31 calendar days after the CMSM/DSSAB notifies them that they are enrolled in the CWELCC system. On and after the 32nd day after the Licensee is notified by a CMSM/DSSAB of the enrollment date, Licensees cannot charge a base fee that is higher than the applicable base fee to parents of an eligible child.

CMSMs/DSSABs are not permitted to set a base fee for a Licensee that is different (higher/lower) than the applicable base fee as determined above, unless the Minister has authorized the CMSM/DSSAB to enter into an agreement with the Licensee that permits the different base fee. CMSMs/DSSABs are also not permitted to provide fee holidays (i.e., a period where parents pay no fees as CMSMs/DSSABs cover the fees) with CWELCC System funding.

Once Licensees are enrolled in the CWELCC System and reduce their fees to the new base fee, the Licensee is required to maintain its new base fee until they are either required to reduce them again, or they are no longer participating in the CWELCC System.

Where a Licensee chooses not to participate in the CWELCC System, they will not be subject to requirements to reduce parent fees.

Non-base fees are not eligible for CWELCC funding and are not subject to the parameters set out above; however, they must meet the definition of non-base fee set out in O. Reg. 137/15. Anything that a parent is required to pay (i.e., mandatory fees) must be included as part of the base fee.

Fees for children who are not eligible children (e.g., school age children) are not subject to the requirements above regarding child care for eligible children.

### **Retroactive Refunds**

In the first year of implementation, the ministry understands that the process of enrollment for Licensees may require time, particularly for organizations without a current funding relationship with CMSMs/DSSABs.

To allow for this while also ensuring that financial relief is provided to parents, CMSMs/DSSABs must back-date a Licensee's enrollment for the CWELCC System.

CMSMs/DSSABs who enroll a Licensee on or before December 31, 2022, must specify an enrollment date that is backdated to:

- April 1, 2022 if the licensee was licensed as of April 1, 2022; or
- the date the Licensee's licence was issued, in any other case.

Where a base fee that is higher than the base fee determined as per the previous section is charged in respect of an eligible child, the Licensee who enrolled will be required to issue a retroactive refund to the parent of the difference for:

- child care provided to eligible children during the period starting on the Licensee's enrolment date and ending on the 31st day after the Licensee is notified by the CMSM/DSSAB of the enrolment date; and
- any period of time after the 31st day referred to in the point for which daily base fees for child care to be provided has been prepaid.

Refunds must be provided to the parent within 60 days after the day the Licensee is notified by a CMSM/DSSAB of the enrollment date and is required for all parents of eligible children who paid higher fees on or after the enrolment date, regardless of whether their child currently receives care from the Licensee.

CMSMs/DSSABs should work with Licensees to ensure that refunds are provided back to parents, at a child care centre it operates or at a home child care premises that it oversees (agency and privately placed) in accordance the timing set out above. Refunds should be



provided for the days the Licensee was operating and serving children.

In the case where refunds are paid out to parents after December 31, 2022, CMSMs/DSSABs must ensure that Licensees notify parents prior to December 31, 2022, that a refund will be provided.

Any programs that enroll after December 31, 2022, will not be eligible for retroactive enrollment and will only be expected to reduce fees on a go-forward basis.

## **Funding**

CWELCC System funding should be provided by CMSMs/DSSABs to Licensees in a timely manner in order to allow Licensees to provide refunds to parents of eligible children, for the applicable period, where parents were charged a base fee that was higher than the applicable base fee as per the parameters set out above. CMSMs/DSSABs should work with Licensees to ensure that refunds are provided back to parents in a timely manner and where possible prior to December 31, 2022.

When Licensees can no longer charge a base fee that is higher than the applicable base fee, funding should be provided to support the actual costs of the fee reduction to support eligible children. CMSMs/DSSABs should work with Licensees to ensure that a base fee that is higher than the applicable base fee is not charged.

Funding is being provided by the ministry to CMSMs/DSSABs for the 2022 calendar year. Where Licensees are notified of their enrolment date later in the year, in some cases, this may result in funds being provided by CMSMs/DSSABs to Licensees after December 31, 2022. The ministry encourages CMSMs/DSSABs to process CWELCC cash flow payments to Licensees as applications are approved to ensure parents benefit from fee reductions as soon as possible.

CMSMs/DSSABs are required to follow the modified accrual basis of accounting as noted in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline. Modified accrual basis of accounting requires the inclusion of short-term accruals of normal operating expenditures in the determination of operating results for a given time period.

CMSM/DSSABs must accrue for these Funds being provided to the Licensees, where Funds will be paid after December 31, 2022. CMSMs/DSSABs must work with their auditors to ensure these payments are captured as part of their 2022 audited financial statements.

In addition, where a CMSM/DSSAB notifies a Licensee of their enrolment after November 1, 2022, CMSM/DSSABs must work with Licensees to ensure these funds are being accrued by the Licensee for 2022 along with any refund payments that will be paid by Licensees to parents after December 31, 2022. CMSMs/DSSABs should remind Licensees to work with

their auditors to ensure these are captured as part of the Licensee's 2022 audited financial statements.

## **Sales and Acquisitions of Child Care Businesses**

O. Reg. 137/15 sets out requirements with respect to sales of child care business.

If a Licensee that is a corporation transfers shares of the corporation in sufficient numbers that would allow the person acquiring the shares to make a change to the corporation's board of directors, the Licensee would remain enrolled in the CWELCC System and must maintain the applicable base fee as set out above.

If a Licensee sells substantially all its assets and the purchaser obtains a new license to operate a child care centre or as a home child care agency, to continue operating the child care program, the purchaser must:

- Charge base fees in accordance with O. Reg. 137/15 for newly issued licences described above under Cap on Fees (i.e., set parent fees at or below a regional maximum). Refer to O. Reg. 137/15 for further details.
- Apply to participate in the CWELCC System in accordance with the process set out by the CMSM/DSSAB or notify the CMSM/DSSAB and parents that they do not wish to participate.

## **ELIGIBLE EXPENSES**

Funding will be provided by CMSMs/DSSABs to Licensees to support eligible expenditures in order to achieve the required fee reduction to base fees for eligible children.

Funding for fee reduction can be provided to support eligible child care expenses and would include the following:

- any costs associated with a Licensee's base fee.
- funding to support refunds for the applicable period as described above.

Funding for expenditures should be provided in accordance with the parameters set out in Section 2: Accountability, and will not be provided for ineligible expenditures.

Funding should not be provided to reduce fees for children who are not eligible children. See Eligibility Criteria.

Funding cannot be used to lower base fees beyond what is in accordance with O. Reg. 137/15, including providing fee holidays (i.e., a period where parents are not required to pay fees as CMSMs/DSSABs cover the fees).

As a reminder, unlicensed child care programs, including unlicensed home child care, authorized recreational programs and school board-operated extended day programs, are not eligible to enroll in the CWELCC System.

Funding for fee subsidies and any other child care expenditures not captured above should not be supported with CWELCC System funding but should continue to be supported with provincial and ELCC funding, in accordance with the applicable parameters and spending guidelines provided as part of the 2022 provincial and ELCC allocations released earlier this year.

## **REPORTING**

As part of the regular reporting processes and timelines as described in the 2022 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guidelines, CMSMs/DSSABs are required to report expenditures and service data to the ministry as indicated below:

- Expenditures to support fee reduction (exclude expenditures related to mandated reductions to parental contributions – see Fee Subsidy section below).
- Expenditures to support refunds to parents.

Also, total adjusted gross expenditure is required to be reported by type of setting (i.e. centre, home-based) and auspice (not for profit, for-profit, directly operated by the CMSM/DSSAB).

Service data required for Fee Reduction funding includes the following:

- Number of children served through fee reductions (exclude fee subsidy children).
- Average monthly number of children served through fee reductions provided by age group (exclude fee subsidy children).
- Number of licensed child care spaces supported with fee reduction by age group and type of setting (i.e., centre or home-based), including full fee spaces occupied by children receiving subsidies.
- Number of child care centres and home providers supported with Fee Reduction funding (by auspice – i.e., for-profit, not-for-profit, directly operated by the CMSM/DSSAB).
- Number of children in receipt of required refunds.

All expenditure and data requirements noted above must be submitted by type of setting (i.e., centre or home-based) and by auspice (not-for-profit, for-profit, directly operated by the CMSM/DSSAB).

## SECTION 5: FEE SUBSIDY – PARENTAL CONTRIBUTION REDUCTION

### PURPOSE

Fee subsidy is an essential support for many parents that helps to balance the demands of career and family and enables parents and caregivers to participate in the workforce or pursue education or training. The ministry has made amendments O. Reg. 138/15 under the CCEYA to ensure that parents accessing subsidized child care also see financial relief under the CWELCC System, through a reduction in their parental contributions.

### ELIGIBILITY

As the CWELCC System is implemented in Ontario, the fee subsidy model will continue to be an option for families who require financial assistance. O. Reg 138/15 sets out an income test formula that CMSMs/DSSABs must use to calculate the amount of subsidy that can be provided for a family, as well as the amount of money that a family must contribute to the cost of child care (the parent contribution).

### IMPLEMENTATION

To ensure an equivalent fee reduction is applied to families receiving child care fee subsidy (who do not pay the full cost of a licensed space), amendments have been made under O. Reg 138/15, which require CMSMs/DSSABs to reduce the parent contribution for eligible children (as defined under O. Reg. 137/15 (General)) by 25% (with no floor of \$12 for families receiving subsidy).

If a parent has at least one eligible child, as defined in O. Reg. 137/15 (General), who is enrolled in a child care centre or home child care that is part of the CWELCC System, the CMSM/DSSAB is to reduce the parental contribution amount calculated via the income test, as follows:

$$A \div B \times C \times 0.25$$

where,

**A** is the total parental contribution calculated via the income test,

**B** is the total number of children that the calculated parental contribution pertains to,

**C** is the number of eligible children, who hold a space with a provider that has enrolled in the CWELCC System, that the parent is required to pay a parental contribution for.

For example, if a Fee Subsidy family has two children aged 7 and 4, the 25% parental contribution reduction would only apply to the 4-year-old. The 25% reduction would then be

reduced by half, as it only applies to one of the two children.

As noted in Section 4, licensees are required to reduce the cost of a full fee space that is occupied by an eligible child receiving fee subsidy. Please note CWELCC System fee reductions may be reduced by less than 25% in light of the \$12 floor whereas, Fee Subsidy recipients will benefit from a full 25% parental contribution reduction.

CMSMs and DSSABs are required to calculate the parental contribution reduction for fee subsidy families and ensure the refund is provided to the parents as applicable.

Subsidized parents will not see a reduction in parental contribution in the case where the child occupies a space with a Licensee that is not enrolled in the CWELCC System.

CWELCC funding is to be used for reducing parental contribution and cannot be used to support fee subsidy. Additionally, CWELCC funding does not replace existing provincial operating funding currently being provided.

CWELCC funding will reduce the cost of a full fee space that is currently occupied by an eligible child receiving fee subsidy by 25% in 2022. As a result, less provincial funding will be required to support the space. The excess provincial funding, previously used to support the fee subsidy space, may not be used to further expand fee subsidy spaces, but may be reinvested in other child care expenses such as general operating costs.

CMSMs/DSSABs must adhere to the following requirement for provincial funding related to supporting fee subsidies.<sup>[1]</sup> Provincial funding used to support fee subsidies must be limited to:

- The CMSM/DSSAB's total 2019 fee subsidy expenditure for children 0-5 years, less 25% and
- The corresponding expenditures associated with the number of fee subsidy children 0-5 years, based on the CMSM/DSSAB's contractual service targets in their 2022 transfer payment agreement.

## **REPORTING**

CMSMs/DSSABs are required to report on expenditures and service data to the ministry as indicated below:

- Expenditures to support the reduction of parental contributions
- Number of children served through the reduction of parental contributions

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<sup>[1]</sup> Please note this requirement supersedes the direction on fee subsidy expenditures as outlined in the 2022 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline.

All expenditure and data requirements noted above must be submitted by type of setting (i.e., centre or home-based) and by auspice (not-for-profit, for-profit, directly operated).

## **SECTION 6: WORKFORCE COMPENSATION**

### **PURPOSE**

The commitment, knowledge, and experience of Ontario's diverse range of child care and early years professionals is foundational for the implementation of the CWELCC System. Workforce compensation funding is focused on supporting Registered Early Childhood Educator (RECE) staff who are low wage earners. Increased compensation for low wage earners will help support the recruitment and retention of RECEs working in the child care sector as part of a provincial strategy to achieve system growth and ensure increased access to high quality licensed child care in Ontario.

CMSMs/DSSABs will support recruitment and retention of Ontario's child care workforce through improved compensation for low wage earners by introducing a wage floor, and an annual wage increase for eligible RECEs.

In addition, workforce compensation funding will be provided to Licensees to offset wage increases for non-RECE staff associated with the increased minimum wage that came into effect January 1, 2022.

### **WAGE FLOOR AND ANNUAL WAGE INCREASE ELIGIBILITY**

Where a Licensee is participating in the CWELCC System and eligibility is met based on the criteria set out in this section, workforce compensation funding must be provided by the CMSM/DSSAB to the Licensee.

#### **Wage Floor**

To be eligible to have their wage raised to the wage floor, staff must be employed by a Licensee that is participating in the CWELCC System and be in a position categorized as:

RECE Program Staff  
RECE Child Care Supervisor  
RECE Home Child Care Visitor

In addition, to be eligible for the wage floor, staff must be receiving wage enhancement funding, and their hourly wage including wage enhancement funding must be below the wage floor. Benefits should not be included when determining the hourly wage (i.e., benefits are in addition to the hourly wages identified in this section).

## **Annual Increase**

To be eligible for an annual wage increase, staff must be employed by a Licensee that is participating in the CWELCC System and be in a position categorized as:

RECE Program Staff  
RECE Child Care Supervisor  
RECE Home Child Care Visitor

In addition, to be eligible for an annual wage \$1 per hour increase, staff must be receiving wage enhancement funding, and their hourly wage including wage enhancement funding must be below the wage cap of \$25 per hour on January 1<sup>st</sup> of each eligible year (i.e., base wage plus wage enhancement funding plus annual increase must be below \$25 per hour). Benefits should not be included when determining the base wage.

## **Ineligible Positions**

Non-RECE Program Staff  
Non-program staff

The wage floor and annual increase will not apply to non-program staff such as:

- Cook, custodial and other non-program staff positions.
- SNR-funded resource teachers/consultants and supplemental staff.
- Staff hired through a third party (i.e., temp agency).

The only exception to the first two positions noted above is if the staff is an RECE and the position spends at least 25 per cent of their time to support ratio requirements as outlined in the CCEYA, in which case the staff would be eligible for the wage floor and annual wage increase for the hours that they are supporting the ratio requirements.

## **Director approved staff**

Qualified staff, child care supervisors, or home child care visitors that are director approved to be employed in these positions but do not have an RECE designation, are not eligible for the wage floor or annual wage increase supported by workforce compensation funding. Please see the CCEYA for more information on the director approval process.

## **Alignment with Child Care Wage Enhancement Grant**

The child care Wage Enhancement Grant will continue to be provided to support the retention of qualified professionals to deliver affordable, high quality services.

Licensees will be required to apply for the Wage Enhancement Grant to be eligible for the

wage floor or annual wage increase under the CWELCC System. Wage enhancement funding will be added to the base wage of staff when considering eligibility for the wage floor and annual wage increase plus benefits.

*Wage floor examples:* Wage floor of \$18 per hour and wage enhancement funding of \$2 per hour.

Example 1: RECE program staff with base wage of \$15 per hour would qualify to have their wage increase to \$18 per hour ( $\$15+\$2=\$17$  per hour which is below \$18 per hour.) Workforce compensation funding of \$1 per hour must be provided.

Example 2: RECE program staff with a base wage of \$16 per hour or higher would not qualify to have their wage increase ( $\$16+\$2=\$18$  per hour which is equivalent to the wage floor.) Workforce compensation funding is not required.

*Annual wage increase examples:* Wage enhancement funding of \$2 per hour, annual wage increase of \$1 per hour and wage cap of \$25 per hour.

Example 1: RECE program staff with a base wage before wage enhancement funding of \$19 per hour would qualify for a wage increase of \$1 per hour ( $\$19+\$2+\$1=\$22$  per hour which is under the \$25 per hour wage cap). Workforce compensation funding of \$1 per hour must be provided.

Example 2: RECE program staff with a base wage before wage enhancement funding of \$23 per hour or higher would not qualify for an annual wage increase ( $\$23+\$2+\$1=\$26$ , which is above the wage cap). Workforce compensation funding is not required.

## **IMPLEMENTATION**

CMSMs/DSSABs are required to develop a method to determine wage floor and annual wage increase entitlements within their region. In addition, CMSMs/DSSABs are required to monitor compliance of Licensees to the wage floor and annual wage increase requirements.

### **Information to Staff**

Upon receiving confirmation of participation in the CWELCC System from their CMSM/DSSAB, and as new staff are hired, Licensees are required to share, in writing, information about the wage floor and annual wage increase with eligible staff. The information must provide eligible staff with an understanding of upcoming annual changes to their wages as a result of workforce compensation funding. At a minimum, the information about wages must include the wage floor and required annual wage increase for each year up to and including 2026.



## **Protecting a Sustainable Public Sector for Future Generations Act**

Child care staff employed by Licensees with maximum wage increases specified under the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (PSPSFGA) may not be eligible for an increase in compensation to the wage floor or to the \$1 per hour annual wage increase. Licensees are required to meet any applicable obligations under the PSPSFGA.

### **Alignment with collective agreements**

Some Licensees may be subject to the terms of a collective agreement. Licensees should seek independent legal advice on implementing the wage floor and annual wage increase.

### **Payments to Staff**

Licensees must include workforce compensation payments in each pay cheque or payment made. Workforce compensation may not be paid at the end of the year as a lump sum payment.

### **Payment to Licensees**

Workforce compensation funding must first be directed to eligible licensed child care centre staff and home child care visitors to increase wages and benefits as described below. Once these requirements are met, CMSMs/DSSABs will have flexibility with respect to the use of their workforce compensation funding to address other CWELCC System requirements. To support those not eligible for the wage floor and annual wage increase, excess funding may be used for inflationary pressures such as wage settlements and wage agreements. Please see Section 2: Accountability section for more details.

It is important to note that CMSMs/DSSABs are not permitted to use workforce compensation funding to provide compensation to staff over and above what is mandated based on the parameters set out in this section of the guideline without approval from the ministry.

### **Other Compensation Increases**

Workforce compensation funding must be considered in addition to and not reduce other planned compensation increases for eligible staff. For example, the wage floor and annual wage increase cannot be used to reduce planned merit increases for eligible staff.

### **Wage Floor**

Licensees are required to bring the wage of all eligible staff up to the wage floor identified in the table below, plus benefits. All eligible staff hired during the identified years must earn at

least the wage floor identified for that year, plus benefits as defined below.

The wage floor for 2022 will come into effect April 1, 2022. For all following years, the wage floor will come into effect on January 1 of each year.

Licensees will be permitted to continue to pay eligible staff below the wage floor for thirty-one calendar days after the CMSM or DSSAB notifies them that they are participating in the CWELCC System. On and after the 32<sup>nd</sup> day after the Licensee is notified by a CMSM or DSSAB of the participation date, the Licensee would be required to pay eligible staff at least the wage floor.

Licensees would then be given one additional month (for a total of 60 calendar days from the day they were notified by the CMSM or DSSAB) to provide staff with a retroactive payment for any wages that were below the wage floor, retroactive to the date of their confirmed participation in the CWELCC System.

#### **Hourly Wage Floor 2022 to 2026\***

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
RECE Program Staff	\$18	\$19	\$20	\$21	\$22
RECE Child Care Supervisors or RECE Home Child Care Visitors	\$20	\$21	\$22	\$23	\$24

\*In addition to the hourly wage, staff are required to receive benefits.

Workforce compensation funding must be used to fund the incremental amount required to bring the staff wages to the wage floor. For example, in 2022 a RECE program staff with a base wage of \$15 per hour and wage enhancement funding of \$2 per hour, would receive workforce compensation funding of \$1 per hour.

#### **Retroactive Wage Payments up to December 31, 2022**

In the first year of implementation, the ministry understands that the process for Licensees to participate in the CWELCC System will require time, particularly for organizations without a current funding relationship with CMSMs or DSSABs.

To allow for this while also ensuring wage increases are provided to eligible staff, CMSMs/DSSABs must back-date a Licensees participation in the CWELCC system.

CMSMs/DSSABs who confirm a Licensees participation on or before December 31, 2022 must specify a participation date that is backdated to:

- April 1, 2022, if the Licensee was licensed as of April 1, 2022; or
- the date the Licensee's license was issued in any other case.

Where staff were paid lower wages than specified by the wage floor, the Licensee who participated in the CWELCC System will be required to issue a retroactive payment to the

eligible staff of the difference retroactive to the later of the two dates noted above. If there was an increase to wages during this period, workforce compensation should be decreased to reflect the change. Retroactive payments must be paid to eligible staff for the hours worked, regardless of whether they are employed by the Licensee at the time that their participation in the CWELCC System is confirmed.

Any Licensee participating in the CWELCC System after December 31, 2022, will not be eligible for a retroactive payment for wage compensation and will only be expected to implement the wage floor and annual wage increase on a go forward basis.

### **Annual Wage Increase**

Licensees are required to increase the hourly wage of eligible staff by \$1 per hour plus benefits (as described below), on January 1<sup>st</sup> of each year from 2023 to 2026, inclusive, up to the \$25 per hour wage cap. To be eligible for the \$1 per hour annual increase, the staff's wage must be equal to or greater than the wage floor and less than \$25 per hour. Staff earning at or above \$25 per hour are not eligible for the annual \$1 per hour increase. Staff making \$24.00 to \$24.99 per hour are to have their wages increased to \$25 per hour.

### **Benefits Funding and Flexibility**

Workforce compensation funding includes up to 17.5 per cent in benefits. Benefits of up to 17.5 per cent must support Licensees in meeting their statutory benefit requirements.

Once all statutory benefit requirements are met (including up to 2 weeks of vacation and 9 statutory days), any remaining funding within 17.5 per cent can be used to fund other benefit expenses paid by the employer on behalf of the employee.

CMSMs/DSSABs are required to develop a method to allocate the wage floor and annual wage increase funding to include up to 17.5 per cent in benefits. Any residual benefits funding can be used to support funding flexibility for eligible expenses as noted in the eligible expenses section above.

### **REPORTING**

CMSMs/DSSABs will report expenditure and service data through regular reporting processes. This data will be used in part to support Ontario's reporting requirements to the Government of Canada under the CWELCC System. Reporting includes:

- Total number of RECE program staff, total number of RECE supervisors and total number of RECE home child care visitors supported by the wage floor.
- Total number of RECE program staff, total number of RECE supervisors and total number of RECE home child care visitors supported by the annual wage increase (starting 2023).

- Actual total expenditure on the wage floor paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately.
- Actual total expenditure on the annual wage increase (starting 2023) paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately.
- Actual total expenditure on benefits paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately.
- Number of child care centres or sites supported by the wage floor and/or wage increase.
- Number of home child care agencies receiving funding for wage floor and/or wage increase.

All data requirements noted above must be reported by the not-for-profit/for-profit/ directly operated Licensee and separately for staff serving the following age groups: eligible children (i.e., children under 6 years old), children aged 6 to 12 who are not eligible.

In terms of reporting on number of staff, if a staff is serving both categories, they should be included in the category where they mostly work. In terms of actual total expenditures related to these staff, CMSMs/DSSABs should determine an appropriate methodology that proportionately allocates the expenditures between time spent serving under 6 years old eligible children, and time spent serving children aged 6 to 12 who are not eligible under the CWELCC System.

As a reminder for financial reporting and audited financial statements, where CMSMs/DSSABs and Licensees make payments for workforce compensation related to the 2022 calendar year after December 31, 2022, CMSMs/DSSABs and Licensees are required to follow the modified accrual basis of accounting as noted in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline. Please refer to the Fee Reduction section for details on the modified accrual basis of accounting.

## **MINIMUM WAGE OFFSET ELIGIBILITY**

Where a Licensee is participating in the CWELCC System and eligibility is met based on the criteria set out in this section, workforce compensation funding must be provided by the CMSM/DSSAB to the Licensee.

To be eligible for the minimum wage offset, Licensees must be participating in the CWELCC System and employ staff in a position categorized as:

- Non-RECE Program Staff

- Non-RECE Child Care Supervisor
- Non-RECE Home Child Care Visitor

In addition, to be eligible for a minimum wage offset, Licensees must employ staff that were earning less than \$15 per hour (not including wage enhancement) on March 31, 2021, or were hired after March 31, 2021, and before January 1, 2022, and had wages below \$15 per hour (not including wage enhancement) Staff hired after December 31, 2021, are not eligible for the minimum wage offset.

### **Ineligible Positions**

The minimum wage offset will not apply to non-program staff such as:

- Cook, custodial and other non-program staff positions.
- SNR-funded resource teachers/consultants and supplemental staff.
- Staff hired through a third party (i.e., temp agency).

The only exception to the first two positions noted above is if the staff is a non-RECE and the position spends at least 25 per cent of their time to support ratio requirements as outlined in the CCEYA in which case the staff would be eligible for the minimum wage offset for the hours that they are supporting the ratio requirements.

### **IMPLEMENTATION**

CMSMs/DSSABs are required to develop a method to determine minimum wage offset entitlements within their region. In addition, CMSMs and DSSABs are required to monitor compliance of Licensees to the minimum wage offset requirements.

### **Payment to Licensees**

Workforce compensation funding must first be directed to licensed child care centre staff and home child care visitors to increase wages and benefits as described below. Once these requirements are met, CMSMs/DSSABs will have flexibility with respect to the use of their workforce compensation funding to address other CWELCC System requirements. Please see Section 2: Accountability section for more details.

It is important to note that CMSMs/DSSABs are not permitted to use workforce compensation funding to provide compensation to staff over and above what is mandated based on the parameters set out in this section of the guideline without approval from the ministry.

Licensees were required to comply with minimum wage legislation and bring the wages of their staff to \$15 per hour as of January 1, 2022. To offset the minimum wage increase, CMSMs/DSSABs are required to provide workforce compensation funding to Licensees to cover the incremental amount needed to bring wages for eligible staff to \$15 per hour.

For example, if an eligible staff was earning \$14.50 on April 20, 2021, the Licensee would receive workforce compensation funding of \$0.50 per hour plus benefits (as described below) to support that staff's wages. Workforce compensation funding for the minimum wage offset must be provided to Licensees starting the date of participation in the CWELCC System up to and including 2026.

### **Benefits Funding and Flexibility**

Workforce compensation funding includes up to 17.5 per cent in benefits. Benefits of up to 17.5 per cent must support Licensees in meeting their statutory benefit requirements.

Once all statutory benefit requirements are met (including up to 2 weeks of vacation and 9 statutory days), any remaining funding within 17.5 per cent can be used to fund other benefit expenses paid by the employer on behalf of the employee.

CMSMs/DSSABs are required to develop a method to allocate the minimum wage offset funding to include up to 17.5 per cent in benefits. Any residual benefits funding can be used to support funding flexibility for eligible expenses as noted in the eligible expenses section above.

### **REPORTING**

CMSMs/DSSABs will report expenditure and service data through regular reporting processes. This data will be used in part to support Ontario's reporting requirements to the Government of Canada under the CWELCC System. Reporting includes:

- Total number of non-RECE program staff, total number of non-RECE supervisors and total number of non-RECE home child care visitors supported by the minimum wage offset.
- Actual total expenditure on the minimum wage offset paid out to Licensees for non-RECE program staff, non-RECE supervisors, and non-RECE home child care visitors. Each staff category is reported separately.
- Benefits paid out to Licensees for non-RECE program staff, non-RECE supervisors, and non-RECE home child care visitors. Each staff category is reported separately.
- Number of child care centres or sites supported by the minimum wage offset.
- Number of home child care agencies receiving funding for minimum wage offset.

All data requirements noted above must be reported by not-for-profit/for-profit/directly operated Licensees and separately for staff serving the following age groups: eligible children (i.e., children under 6 years old), children aged 6 to 12 who are not eligible under the CWELCC System but can still receive Workforce Compensation funding – see below.

In terms of reporting on number of staff, if a staff is serving both categories, they should be included in the category where they mostly work. In terms of actual total expenditures related to these staff, CMSMs/DSSABs should determine an appropriate methodology that proportionately allocates the expenditures between time spent serving under 6 years old eligible children, and time spent serving children aged 6 to 12 who are not eligible children.

As a reminder for financial reporting and audited financial statements, where CMSMs/DSSABs and Licensees make payments for workforce compensation related to the 2022 calendar year after December 31, 2022, CMSMs/DSSABs and Licensees are required to follow the modified accrual basis of accounting as noted in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline. Please refer to the Fee Reduction section for details on the modified accrual basis of accounting.

## **PROGRAMS SERVING CHILDREN AGED 6-12 ELIGIBILITY**

Ontario is contributing funding as part of the workforce compensation allocation which will be used for compensation for staff in licensed child care programs serving children aged 6 to 12, who are currently ineligible to apply for participation in the CWELCC System, to ensure equity of wages across staff serving different age groups, and to avoid these increases being passed onto parents through higher fees.

Licensees with programs only serving children aged 6-12 that apply to the CMSM/DSSAB for workforce compensation funding are not eligible to participate in the CWELCC System.

For Licensees with programs serving any eligible child, the Licensee must be a participant in the CWELCC System in order to access workforce compensation (funded through the CWELCC System) for eligible staff and home child care visitors, and will be required to adhere to all the parameters of the CWELCC System.

## **IMPLEMENTATION**

For all staff and home child care visitors meeting the workforce compensation (wage floor, annual increase, minimum wage offset) eligibility requirements detailed above, CMSMs/DSSABs are required to develop an application process to enroll Licensees for workforce compensation entitlement within their region. This process can mirror current Wage Enhancement processes.

CMSM/DSSABs must adhere to the compensation funding parameters detailed above for wage floor, annual increase, and minimum wage offset increases to eligible staff.

CMSMs/DSSABs are required to manage public inquiries related to workforce compensation. In order to manage these inquiries, CMSMs/DSSABs may wish to post information regarding workforce compensation along with contact information on their website.

Funding provided to Licensees for workforce compensation support staff serving the following age groups: eligible children (i.e., children under 6 years old) and children aged 6 to 12 who are not eligible under the CWELCC System



**APPENDIX A - CANADA-WIDE EARLY LEARNING AND CHILD CARE  
(CWELCC) FUNDING FORMULA TECHNICAL PAPER**

**Ministry of Education**

**CWELCC Funding Formula:  
Technical Paper 2022**

## Purpose

To support greater transparency for system users, this paper contains details of the underlying formulae and criteria used in calculating the 2022 Canada-Wide Early Learning and Child Care (CWELCC) Allocations to CMSMs/DSSABs.

## Overview of the CWELCC Funding Formula

The CWELCC funding formula includes three main allocation categories: Fee Reduction, Workforce Compensation, and CWELCC Administration.

### CWELCC Funding in 2022 (\$ Millions)

Category	Preliminary CWELCC Funding (\$M)
Fee Reduction	\$734
Workforce Compensation	\$33
CWELCC Administration	\$18
<b>Total to CMSMs/DSSABs in 2022</b>	<b>\$785</b>

Funding was costed for 2.6% inflation on total costs. This includes inflation for both compensation and non-compensation costs. In 2022 this was captured through the Fee Reduction Allocation as well as the increased child care funding in 2022 through the Canada-Ontario Early Learning and Child Care (ELCC) allocation.

Information regarding operating funding to support space expansion will be released later this year.

## Fee Reduction Allocation

Fee Reduction funding is being provided to CMSMs/DSSABs to support parents, families and communities by reducing fees for eligible children in licensed child care.

CMSMs/DSSABs will work with child care licensees who choose to participate in the CWELCC System in their regions to provide operating grants that will enable the parent fee reduction for families.

The 2022 Fee Reduction Allocation is intended to support the first step of fee reduction: all Ontario families with eligible children in participating licensed child care will see a fee reduction of up to 25% (to a minimum of \$12 per day), retroactive to April 1, 2022.

The Fee Reduction Allocation funding totals \$734 million in 2022. The following data elements are used to calculate the Fee Reduction allocation:

Fee Reduction Allocation Data Elements	Source
Parent Fees for eligible children	2021 Child Care Operator Survey
Number of Licensed Child Care Spaces	2021 Child Care Licensing System
Number of eligible children enrolled in Licensed Home Child Care	2021 Child Care Operator Survey

## Centre-Based Child Care Fee Reduction Formula

The Fee Reduction formula calculates the amount of fee reduction required at the child care centre level and for each age group within each centre. For each eligible age group, where there are licensed spaces, the fee reduction is determined as described below:

2022 Estimated Fee (2021 fee as reported + 2.6% inflation)	Fee Reduction Formula
> \$16	$(2021 \text{ parent fee} \times 2.6\% \text{ inflation} \times 25\% \text{ fee reduction}) \times \text{number of licensed spaces}$
Between \$16 and \$12	$(2021 \text{ parent fee} \times 2.6\% \text{ inflation} - \$12 \text{ floor}) \times \text{number of licensed spaces}$
< \$12	\$0 fee reduction

This is calculated for each eligible age group and child care centre and rolled up to the CMSM/DSSAB level. Age groups included in the calculation include infants, toddlers, preschool and kindergarten. Note, kindergarten spaces are assumed to charge a before and after school fee on instructional school days and a full day fee on non-instructional school

days. An adjustment is also applied on the centre level for kindergarten spaces that do not operate in the summer months.

### Home-Based Child Care Fee Reduction Formula

The Fee Reduction formula for licensed home child care follows the same approach as the centre-based formula. Enrollment data is used as a proxy for the number of spaces in home child care. Age groups included in the calculation include under 2 years, 2-3 years and 4-5 years. Aged 4-5 enrollment is treated the same as the kindergarten age group in centre-based child care as described above regarding before and after school fee vs full day fee however, all homes are assumed to operate year round.

### Workforce Compensation Allocation

Workforce compensation funding is focused on supporting Registered Early Childhood Educator (RECE) staff that are low wage earners. In 2022, there will be a wage floor of \$18 for RECE program staff, and \$20 per hour for RECE supervisors and RECE Home Child Care Visitors. In 2022, Non-RECE program staff, Supervisors and Non-RECE Home Child Care visitors should have a wage floor of \$17 per hour (\$15 minimum wage plus \$2 Wage Enhancement). Funding is being allocated to RECE staff to raise their wages to the new floor and allocated to Non-RECE staff to cover the increased minimum wage that came into effect January 1, 2022, and therefore support the \$17 per hour existing wage floor.

The Workforce Compensation Allocation funding totals \$33 million in 2022 which was derived by:

- Using the wage brackets and number of staff in each bracket, assuming a normal distribution within the bracket.
- Growing wages by inflation.
- For each bracket below the floor the following was calculated:
  - Floor - avg for the bracket x number of staff in the bracket

This results in the following proportional distribution by type of staff for each floor:

Proportion	Workforce Compensation Allocation Data Elements	Source
55%	Number of RECE program staff that have wages under \$18	2019 Child Care Operator Survey
12%	Number of RECE supervisors and home visitors that have wages under \$20	2019 Child Care Operator Survey

33%	Number of Non-RECE program staff and supervisors that have wages under \$17	2019 Child Care Operator Survey
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Funding is also provided for the inflationary increase of 2.6% but is included in the Fee Reduction allocation (the assumption being that this wage increase was reflected in the fees already) while the \$33 million reflects the additional funding for the wage floors.

### **CWELCC Administration Allocation**

The CWELCC Administration Allocation is intended to support service system managers with administrative capacity to implement the goals of the CWELCC.

The allocation for CWELCC Administration totals \$18 million in 2022 and is comprised of the following components:

<b>Administration Allocation Data Elements</b>	<b>Benchmark</b>
Base allocation for each CMSM and DSSAB	\$65,600 x (1+17.5% benefits) x 75%
Number of Licensed Child Care Spaces as of March 31, 2021 per Child Care Licensing System (infant, toddler, preschool and kindergarten)	\$70.32 per space x 75%
Home Child Care Enrollment per 2021 Child Care Operator Survey (0-5 years)	\$70.32 per enrollment x 75%

The allocations above have been pro-rated for the 9 months from April to December by 75%.

## Appendix B: CWELCC Funding Formula: Tip Sheet

This tip sheet is intended to provide tips to CMSMs and DSSABs to assist them in allocating Canada-Wide Early Learning and Child Care (CWELCC) funding to the licensees that choose to participate in their regions.

### General Tips

- Refer to the CWELCC Funding Formula Technical Paper for details on how funding was allocated from the province to CMSMs and DSSABs.
- CMSMs/DSSABs can leverage the province's allocation methodology, in order to allocate funding to licensees where appropriate.
- CMSMs/DSSABs should allocate CWELCC funding to licensees that choose to participate in a timely fashion to ensure they can provide retroactive rebates to parents.
- The allocation approach does not replace a year end reconciliation to ensure the funding was spent on eligible expenditures.
- If licensees have planned compensation or other cost increases expected in the year, CMSMs/DSSABs should provide funding for the planned cost increases. Note, in 2022, funding was provided to CMSMs/DSSABs for 2.6% inflation over 2021 costs.

### Fee Reduction

- Gather information from licensees on base fees as of March 27, 2022 for eligible children and operating capacity.
- Calculate fee reduction funding based on a 25% reduction to base fees as of March 27, 2022 to a floor of \$12 per day.
- Funding to licensees for fee reduction should cover the full fee reduction to base fees unless the CMSM/DSSAB determines some costs that make up the base fee are unreasonable or not eligible.

### Workforce Compensation

- Gather information from licensees on number and type of staff working in each centre, their wages, and estimated hours they will work April to December 2022.
- Allocate funding to licensees to support the wage floor of \$18 per hour for RECE program staff and \$20 per hour for RECE supervisors and home child care visitors.
- For example, if a RECE program staff has a wage of \$17 currently (\$15 wage + \$2 wage enhancement), then they should be allocated \$1 per hour for the estimated hours they will work April to December 2022, to ensure they receive the floor of \$18 per hour.
- Funding has been provided to offset the minimum wage increase for non-RECE staff that took effect January 2022. Please ensure that Licensees are not receiving double funding for this (for example, if they have already raised fees to reflect the increase, then the funding would flow to the Licensee for Fee Reduction and CMSMs/DSSABs should exercise flexibly between funding lines to account for this).

## **APPENDIX C: 2022 LICENSED CHILD CARE PURCHASE OF SERVICE AGREEMENT CHECKLIST**

This “Licensed Child Care Purchase of Service Agreement Checklist” is a supportive tool that may assist CMSMs/DSSABs in drafting or amending their purchase of service agreements with child care Licensees participating in the Canada-Wide Early Learning and Child Care (CWELCC) System. The checklist is not intended to be an exhaustive list of considerations from the ministry, and CMSMs/DSSABs should consult the CCEYA, the Guideline Addendum as well as their legal counsel in developing purchase of service agreements.

The checklist covers, at a high level, the criteria the province requires of the CMSM/DSSAB and Licensees in order to access CWELCC System funding.

This checklist is comprised of the following:

- Part 1: Licensed Child Care Operator Participation
- Part 2: Funding Consideration
- Part 3: Fee Reduction
- Part 4: Workforce Compensation
- Part 5: Maximum Profit
- Part 6: Reporting
- Part 7: Records and Audit
- Part 8: Withholding and Recovery of Payments and Right to Set Off

### **Part 1: Licensed Child Care Operator Participation**

Participation in the Canada-Wide Early Learning and Child Care System is optional; however, child care Licensees are encouraged to participate so that families can benefit from reduced fees.

Licensees choosing to participate in the CWELCC System must indicate their intent to do so to the CMSM/DSSAB by September 1, 2022.

The following requirements must be met by the Licensee for enrolment into the CWELCC System:

- Licensee must demonstrate financial viability to the CMSM/DSSAB.
- Licensee must operate in accordance with the purchase of service agreement, the *Child Care and Early Years Act, 2014 (CCEYA)* and its regulations, as well as the requirements outlined by the CMSM/DSSAB.

- ❑ Licensees must maintain existing (pre-CWELCC System announcement on March 28, 2022) licensed spaces for eligible children. Licensees may not convert any existing spaces for eligible children to other age groups (e.g., converting infant spaces to toddler, or infant spaces to kindergarten) in 2022.
- ❑ Licensees must communicate their CWELCC System enrolment status to all parents and staff within 14 days of the licensee being notified by CMSM/DSAAB of the results of their application in accordance with O. Reg. 137/15.
- ❑ Licensees must complete the annual *Licensed Child Care Operations Survey*, as required under section 77 of O. Reg. 137/15 in order to continue to receive funding under the CWELCC System.
- ❑ Licensees must reduce and refund base fees in accordance with O. Reg.137/15. Licensees are required to keep an electronic or hard copy of their purchase of service agreement at the child care centre or home child care agency, and make it available for ministry inspection.
- ❑ Licensees must maintain their licence in good standing in accordance with the CCEYA.

## **Part 2: Funding Considerations**

Please see below examples of requirements relating to CWELCC System funding that a CMSM/DSSAB may want to consider in developing terms and conditions to include in its purchase of service agreement with a Licensee governing CWELCC System funding. CMSMs/DSSABs may also want to refer to the ministry's Guideline Addendum to assist them in developing additional terms and conditions governing this funding:

- ❑ Funding amounts to a Licensee will be determined at the discretion of the CMSM/DSSAB based on actual costs.
- ❑ Licensees are required to use CWELCC System Funds to support CWELCC System objectives in accordance with the purchase of service agreement, applicable legislation, regulations and applicable guidelines requirements provided to Licensees.
- ❑ Licensees are required to return CWELCC System Funds to the CMSM/DSSAB where funds are not used in accordance with the requirements established by the CMSM/DSSAB that apply to Licensees.
- ❑ Licensees are required to provide sufficient and detailed financial or other information



related to their child care operations as required by the CMSM/DSSAB for review.

- Information submitted by the Licensee for eligibility and reasonability of expenditures will be subject to review as part of the CMSMs/DSSABs funding and reconciliation process. CMSMs/DSSABs may consider including terms and conditions in their purchase of service agreements that provide for the following rights:
  - Discretion to determine eligibility and reasonability of a Licensee's revenues, costs and expenses, based on CWELCC System funding requirements provided to Licensees and to adjust funding provided based on review.
  - The right to review and to confirm that the Licensee did not charge fees for eligible children higher than the fees at which it was capped after March 27, 2022 (unless the fees were communicated to parents prior to March 27, 2022).
  - Denying funding for expenses, or to only pay what is deemed to be fair market value, as determined by CMSMs/DSSABs.
  - Denying funding for expenditures arising from transactions not conducted at arms-length.
  - Denying funding for ineligible expenditures, based on applicable guidelines and parameters provided by CMSMs/DSSABs to Licensees.
  - Determining the amount of funding that can be spent by Licensees on administration expenses.
  - Denying funding for administration expenditures above what has been determined by CMSMs/DSSABs for each Licensee.
  - Requiring Licensees to seek approval if additional administration funding is required by the Licensee above what is allowed.
  - The right to determine if a Licensee's operation in child care for eligible children is sustainable and financially viable. CMSMs/DSSABs have the discretion to define sustainable and financial viability.
  - The right to verify that increases to base and non-base fees for the care of eligible children were permitted in accordance with O. Reg. 137/15, (e.g., a fee increase must be communicated to families/parents prior to March 27, 2022).

- The right to verify that Licensees are maintaining the spaces for eligible children for which they are receiving funding to reduce base fees (e.g., a licensed infant space must remain an infant space) along with the right to recover funding from the Licensee as determined by the CMSM/DSSAB.
- The requirement for Licensees to report to the CMSM/DSSAB any revisions to capacity or use of alternate capacity for child care spaces currently licensed for ages 0-5.
- Requirement that Licensees do not close for more than 2 consecutive weeks and do not close for more than 4 weeks within a calendar year while the licensee is receiving full funding from the CWELCC System.
- Requirement that full base fees cannot be charged by the Licensee for any closure beyond these timelines. CMSMs/DSSABs may further limit the allowable period of closure (e.g., closures may not exceed 10 consecutive days).

### **Part 3: Fee Reduction**

Fee reduction funds are to be used by CMSMs/DSSABs to support parents, families and communities by reducing base fees for eligible children.

The *Child Care and Early Year Act, 2014* (CCEYA) sets out the rules regarding what participating Licensees will be permitted to charge parents as part of their base fee (as defined by the CCEYA).

In working towards achieving the required base fee reduction for eligible children, below is a high-level summary of terms and conditions to consider when enrolling a Licensee into the CWELCC System.

CMSMs/DSSABs should refer to O. Reg 137/15 for full details on the fee reduction requirements and should refer to the ministry's CWELCC System funding Guideline Addendum to assist in developing additional terms and conditions to include in their purchase of service agreements with participating Licensees.

- Licensees' base fees must be determined in accordance with the requirements set out in O. Reg. 137/15 under the CCEYA. (CMSMs/DSSABs can refer to the regulations and the Guideline Addendum for further details on base fees).
- Licensees must reduce base fees for eligible children only. The term 'eligible children' is defined in O. Reg. 137/15.
- Licensees are required to provide a refund to parents where a base fee higher than the reduced base fee is charged for an eligible child, retroactive to the Licensee's

CWELCC System enrolment date and for any period after the CWELCC enrolment date where excess base fees has been prepaid for. CMSMs/DSSABs can refer to the Guideline Addendum for further details.

- Licensed home child care agencies participating in the CWELCC System must ensure that home child care providers charge parents of eligible children a base fee determined in accordance with O. Reg. 137/15, which applies to children who are agency placed and those children that are privately placed in the provider's care.
- 31 days after a Licensee is notified by the CMSM/DSSAB of their enrolment date, the Licensee cannot charge a base fee that is higher than the applicable base fee for an eligible child.
- 60 days after a Licensee is notified by the CMSM/DSSAB of their enrolment date, the Licensee is required to provide refunds to parents for any fees paid that were higher than the reduced base fees paid, for any higher base fees that were prepaid for a period after the enrolment date, and any refunds related to reductions in parental contributions families in receipt of fee subsidy for the applicable period.
- CMSMs/DSSABs have the right to determine an initial base fee, in the case where the capped fee does not include all of the components required to be included in a base fee under O. Reg. 137/15, or to exclude components that should not be part of a base fee at the discretion of the CMSM/DSSAB.
- Licensees must ensure that components that should be captured by the definition of non-base fees under O. Reg. 137/15 should not be included as a component of base fees.
- Licensees are required to maintain the reduced base fees until they are either required to reduce them again, or if they are no longer participating in the CWELCC System.
- In the case where a Licensee transfers shares of the corporation the licensee continues to be bound by the requirements in O. Reg. 137/15 relating to base fees and non-base fees. In the case where a Licensee sells all of its assets and ceases to be licensed, the purchasing corporation must apply for a licence under the CCEYA and may submit an application to enroll in the CWELCC System, in which case the base fee and non-base fee rules in O. Reg. 137/15 apply to the applicant (CMSMs/DSSABs see regulation and Guideline Addendum for further details).
- CMSMs/DSSABs have the right to verify the timeliness and accuracy of refunds and fee reductions made by Licensees.

## **Part 4: Workforce Compensation**

The commitment, knowledge and experience of Ontario's diverse range of child care and early years professionals is a key factor in the implementation of the CWELCC System. Workforce compensation funding is focused on supporting Registered Early Childhood Educator (RECE) staff that are low wage earners. Increased compensation for low wage earners will help support the recruitment and retention of RECEs working in the child care sector as part of the provincial strategy to achieve system growth and ensure increased access to high quality licensed child care in Ontario.

Ontario will support the recruitment and retention of Ontario's child care workforce by providing improved compensation for low wage earners through the implementation of a wage floor and an annual wage increase for eligible RECE staff.

In addition, workforce compensation funding will be provided to Licensees to offset wage increases for non-RECE staff associated with the increased minimum wage that came into effect January 1, 2022.

The following are examples of requirements that apply to Licensees in respect of workforce compensation funding that CMSM/DSSABs may want to consider in developing terms and conditions to include in their purchase of service agreements with Licensees that govern this funding. For additional information relating to workforce compensation funding, CMSMs/DSSABs are encouraged to refer to the Guideline Addendum.

### *Wage floor and Annual Wage Increase*

- Licensees are required to bring the wage of all eligible RECE staff up to the wage floor plus benefits as identified in the ministry's Guideline Addendum.
- Licensees are required to increase the hourly wage plus benefits of all eligible RECE staff annually as described in the ministry's Guideline Addendum.
- Workforce compensation funding is provided to eligible RECE staff employed by a Licensee that is participating in the CWELCC System regardless of the age of the children they are supporting (e.g., not limited to staff supporting children under the age of 6).
- Licensees subject to the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (PSPSFGA) are required to meet any applicable obligations under the PSPSFGA.
- Licensees that are subject to the terms of a collective agreement should seek independent legal advice on implementing the wage floor and annual wage increase.

- Licensees will be required to apply for the Wage Enhancement Grant to be eligible to receive workforce compensation funding.
- Licensees participating in the CWELCC System prior to December 31, 2022, must issue retroactive payments to eligible RECE staff for any period after the Licensee is notified by the CMSM/DSAAB that they are enrolled in the CWELCC System during which Licensees paid eligible RECE staff wages lower than the wage floor.
- Licensees participating in the CWELCC System after December 31, 2022, will not receive funding to issue retroactive payments to eligible RECE staff for wage compensation funding and will only be expected to implement the wage floor and annual wage increase on a go forward basis.
- Licensees will be permitted to continue to pay eligible RECE staff below the wage floor for thirty-one calendar days after the CMSM/DSSAB notifies them that they are enrolled in the CWELCC System. After 31 days, the Licensee would be required to pay eligible RECE staff at least the wage floor. Licensees would then be given one additional month (for a total of 60 days from the day they were notified by the CMSM/DSSAB) to provide eligible RECE staff with a retroactive payment for any wages that were below the wage floor, retroactive to the date their enrolment in the CWELCC System was confirmed by the CMSM/DSAAS.
- Licensees are not permitted to use workforce compensation funding to provide compensation to eligible RECE staff over and above what is mandated based on the requirements set out in the Guideline Addendum without approval from the ministry.
- Workforce compensation funding must be considered in addition to and not reduce other planned compensation increases for eligible staff. For example, the wage floor and annual wage increase cannot be used to reduce planned merit increases for eligible staff.
- Licensees must include workforce compensation payments in each pay cheque or payment made to eligible RECE staff.
- Upon receiving confirmation of enrolment in the CWELCC System from their CMSM/DSSAB, and as new eligible RECE staff are hired, Licensees are required to share in writing, information about the wage floor and annual wage increase with eligible RECE staff.
- Licensees must report on data for meeting wage floor and annual wage increase requirements as determined by the CMSM/DSSAB and the reporting parameters set

out in the ministry's Addendum to the Funding Guideline.

### *Minimum Wage Offset*

- Licensees must provide eligible non-RECE staff that were earning less than \$15 per hour (not including wage enhancement) on March 31, 2021, or were hired after March 31, 2021 and before January 1, 2022 and had wages below \$15 per hour (not including wage enhancement), minimum wage offset funding.
- Licensees must report on data for meeting minimum wage offset requirements as determined by the CMSM/DSSAB and the reporting parameters set out in the ministry's Addendum to the Funding Guideline.

### **Part 5: Maximum Profit**

As part of the CWELCC System accountability framework, controls are required to ensure that the ability of Licensees to generate undue profit is limited based on the CWELCC System funding being provided.

Below are examples of requirements CMSMs/DSSABs could consider in developing terms and conditions to include in their purchase of service agreements with Licensees relating to undue profit. CMSMs/DSSABs may also want to refer to the CWELCC System Funding Guideline Addendum for additional information:

- CMSMs/DSSABs will have the discretion to determine a maximum profit level that would govern the Licensee's provision of child care to eligible children each calendar year.
- This maximum profit level determined by the CMSM/DSSAB will be included by the CMSM/DSSAB in the terms and conditions of their purchase of service agreements with for-profit Licensees each year.
- In the case where the Licensee's annual net profit relating to the provision of child care for eligible children exceeds the maximum profit amount set by the CMSM/DSSAB, the Licensee will be required to return any excess funds above this maximum amount to the CMSM/DSSAB.
- CMSMs/DSSABs have the discretion to determine the portion of the Licensee's net profit that may be attributed to the provision of child care for eligible children, as compared to net profit attributed to the provision of child care for children who are not eligible children.

## **Part 6: Financial Reporting**

As part of the CMSM/DSSAB's financial review process with Licensees at year end, the Licensee will be required to submit detailed financial information and audited financial statements to the CMSMs/DSSABs to verify that the funding provided was used for the purpose(s) intended.

Below are examples of requirements for CMSMs/DSSABs to consider related to the financial reporting process when developing terms and conditions to include in their purchase of service agreements with Licensees. CMSMs/DSSABs may wish to refer to the CWELCC System Guideline Addendum for additional information:

- Financial reports are prepared and submitted by the Licensee in accordance with the CMSM/DSSAB's reporting requirements and timelines.
- Licensees are required to provide all financial and other information based on CMSM/DSSAB requirements, including audited financial statements.
- Licensee will work with CMSM/DSSAB to reconcile all CWELCC System funding annually according to the reporting and reconciliation documentation provided by the Ministry.
- CMSM/DSSAB have the right to follow up with Licensee on any CWELCC System expenditures reported to determine reasonability of variances and/or eligibility of expenditure.
- The CMSM/DSSAB will take reasonable and progressive corrective actions on the Licensee who does not comply with reporting requirements.
- Adjustments and recoveries of funding provided will be determined at the discretion of the CMSM/DSSAB based on the CMSM/DSSAB's reconciliation process.

## **Part 7: Records and Audit**

CMSMs/DSSABs will be required to undertake audits on a random sample of Licensees in receipt of CWELCC System funding on an annual basis to confirm that CWELCC System funding has been used for its intended purpose.

See below for examples of requirements for CMSMs/DSSABs to consider in developing terms and conditions to include in their purchase of service agreements with Licensees related to the maintenance of proper financial and service records. CMSMs/DSSABs may wish to also refer to the CWELCC System Guideline Addendum for additional information:

The Licensee:

- Must maintain complete financial and service records of accounts of expenditures related to the CWELCC System, for each site where CWELCC System funding is being provided, for at least 7 years.
- Cannot dispose of any records related to the services provided under the CWELCC System without prior consent from the CMSM/DSSAB, even when the Licensee is no longer operating.
- Must permit the CMSM/DSSAB to audit financial and service records related to the CWELCC System at any reasonable time.
- Must ensure its staff are available for consultation by the CMSM/DSSAB as required.

#### **Part 8: Withholding and Recovery of Payments and Right to Set Off**

CMSMs/DSSABs should consider including terms and conditions in their purchase of service agreements with licensee that provide them with the right to withhold payment or to reduce funding provided to a Licensee when the Licensee does not meet the obligations relating to the use of CWELCC System funds or other related CMSM/DSSAB funding requirements. See below for examples of requirements for CMSMs/DSSABs to consider in developing terms and conditions for their purchase of service agreements.

The CMSM/DSSAB will reserve the right to withhold or recover funding based on the following:

- Funding spent on ineligible expenditures.
- Funding spent on expenditures unrelated to the objectives of CWELCC.
- Expenditures not at fair market value.
- Transactions with a related party.
- Licensee not meeting deadlines relating to request for information, documentation and reporting.
- Licensee not meeting the requirements under the CWELCC System, applicable guidelines or any other specific deadlines noted by the CMSM/DSSAB.



- CWELCC System funds not in used in accordance with the requirements and any applicable guidelines provided by CMSMs/DSSABs to Licensees.
  
- Licensee did not complete their annual *Licensed Child Care Operations Survey*, as per O.Reg.137/15 (77).

## Appendix D: Application Form: CWELCC Enrollment

CMSM/DSSABs may provide this sample application form to Licensees in their region who wish to enroll in the Canada-wide Early Learning and Child Care (CWELCC) System. Service system managers may modify the form as they see fit, with the assistance of their legal counsel, for their purposes.

### Canada-Wide Early Learning and Child Care (CWELCC) System

Funding under the Canada-Wide Early Learning and Child Care (CWELCC) System will be used to build and leverage the success of Ontario's existing early learning and child care system by increasing quality, access, affordability, flexibility and inclusivity in early learning and child care. This will be accomplished by:

- Reducing base fees for eligible children by 25% (to a minimum of \$12 per day), retroactive to April 1, 2022, providing a 50% reduction in average base fees for eligible children by the end of December 2022, and reaching an average of \$10 a day child care fees for eligible children by September 2025 for licensees enrolled in the CWELCC System (Note: The average of \$10 a day is calculated including fee subsidies paid to families. As a result, the rates charged by operators to families will be approximately \$12 a day by September 2025 to achieve a \$10 a day average);
- Creating 86,000 new licensed child care spaces, including more than 15,000 licensed child care spaces created since 2019, with capital start-up grants targeting growth in communities with populations who need them most;
- Ensuring space expansion plans and programming are informed by, and support the needs of, vulnerable and diverse populations in communities; and
- Strengthening the early childhood workforce through enhanced compensation, training and professional learning opportunities.

To be eligible for CWELCC funding, child care operators must apply to their local CMSM/DSSAB to enroll and have or enter into a purchase of service agreement with [insert name of the CMSM/DSSAB] and agree to operate under the criteria outlined in the [insert CMSM/DSSAB Guideline] in order to receive this funding to reduce base fees for eligible children.

Licensees that wish to enroll in the CWELCC System must confirm their intent to participate and agree to the conditions outlined in the "Terms of Application" section to the [insert name of the CMSM/DSSAB] by September 1, 2022.

### Definitions

In this form, the following terms will have the following meanings:

**“CMSM/DSSAB”** means the Service System Manager (SSM) as designated under the *Child Care and Early Years Act, 2014* (CCEYA).

**“Licensee”** means the licensed home child care agency or child care centre.

**“CWELCC System”** means the Canada-Wide Early Learning and Child Care System for early years and child care funding provided for in an agreement entered into by the Province of Ontario and the Government of Canada.

**“Eligible child”** means any child under six years old; and up until June 30 in a calendar year, any child who (a) turns six years old between January 1 and June 30 in that calendar year, and (b) is enrolled in a licensed infant, toddler, preschool or kindergarten group, a licensed family age group, or home child care.

**“Base fee”** means 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 CCEYA, or anything a licensee requires the parent to purchase from the licensee, but does not include a non-base fee.

## Section 1: Child Care Licensee Basic Information

<b>Licensee Name:</b>	<b>Application Date:</b> <i>yyyy-mm-dd</i>
<b>License Number:</b>	<b>Agency/Centre Name:</b>
<b>Location Address:</b> <i>Street Number, Street Name, Unit / Suite Number</i>	<b>Location Address:</b> <i>City / Town, Postal Code</i>
<b>Type of Licensee:</b> <i>Please check one.</i> <input type="checkbox"/> Corporation <input type="checkbox"/> Individual <input type="checkbox"/> First Nation	<b>Auspice:</b> <i>Please check one.</i> <input type="checkbox"/> Not-for-profit <input type="checkbox"/> For-profit
<b>Contact Name:</b> <i>First, Last</i>	<b>Position Title:</b>
<b>Business Telephone Number:</b>	<b>Business Email:</b>
<b>Type of Organization:</b> <input type="checkbox"/> Child Care Centre <input type="checkbox"/> Home Child Care Agency	<b>Type of Program (if applicable):</b> <i>Please check all that apply.</i> <input type="checkbox"/> Indigenous (off-reserve) <input type="checkbox"/> Francophone
<b>Request Type:</b> <i>Please check one.</i> <input type="checkbox"/> New Service Agreement (for those who do not currently have a purchase of service agreement with the service system manager and who want to participate in CWELCC). <input type="checkbox"/> Change to Existing Service Agreement (for those with an existing purchase of service agreements and who want to participate in CWELCC).	

## Section 2: Child Care Licensee Site Information

<b>Hours of Operation:</b>
<b>Types of Service Provided and hours of operation per service:</b> <i>Check all that apply.</i> <input type="checkbox"/> Full-day child care <input type="text"/> hours <input type="checkbox"/> Part-time child care <input type="text"/> hours <input type="checkbox"/> Before and/or after school programs (6-12 yrs) <input type="text"/> hours <input type="checkbox"/> Before and/or after school programs (4-5 yrs) <input type="text"/> hours <input type="checkbox"/> Licensed home child care <input type="text"/> hours
<b>Licensed Capacity:</b> <i>As indicated on your Schedule 1 Ministry of Education licence.</i>
<b>Number of Home Child Care Sites:</b>

**Number of Rooms:**

<b>Room # 1:</b>	<b>Licensed (L) &amp; Operating Capacity (O) Space:</b> Infant: L: <input style="width: 50px;" type="text"/> O: <input style="width: 50px;" type="text"/> Toddler: L: <input style="width: 50px;" type="text"/> O: <input style="width: 50px;" type="text"/> Pre-school: L: <input style="width: 50px;" type="text"/> O: <input style="width: 50px;" type="text"/> Kindergarten: L: <input style="width: 50px;" type="text"/> O: <input style="width: 50px;" type="text"/> School-age: L: <input style="width: 50px;" type="text"/> O: <input style="width: 50px;" type="text"/> Total: L: <input style="width: 50px;" type="text"/> O: <input style="width: 50px;" type="text"/>
<i>Copy and paste the table above to provide the information for each room in your site.</i>	
<b>Total Licensed Capacity:</b>	
<b>Total Operating Capacity:</b>	

### Section 3: Base Fees

Base fees are any fee or part of a fee that is charged in respect of a child for child care (i.e., if the Licensee requires parents to pay for something and it is not optional, then it has to be included in base fee). This includes anything the Licensee is required to provide under O. Reg. 137/15, or anything the Licensee requires the parent to purchase from the Licensee, but does not include a non-base fee.

Base fee information should be the fees as of March 27, 2022. All base fee information should be calculated on a daily basis even if your fees are typically calculated on an hourly, weekly, bi-weekly, monthly, or annual basis. Include your standard fees for children in each age group who are not receiving a fee subsidy.

Licensed Age Group	Base Fee (\$)	Not Applicable
<b>Full Day (6 hours or more)</b>		
Infant (Younger than 18 months)		<input type="checkbox"/>
Toddler (18 months to 29 months)		<input type="checkbox"/>
Preschool (30 months to 6 years)		<input type="checkbox"/>
Kindergarten (44 months to 7 years)		<input type="checkbox"/>
Family Age Grouping (Schedule 4)		<input type="checkbox"/>

Licensed Age Group	Base Fee (\$)	Not Applicable
<b>Half Day (fewer than 6 hours)</b>		
Infant (Younger than 18 months)		<input type="checkbox"/>
Toddler (18 months to 29 months)		<input type="checkbox"/>
Preschool (30 months to 6 years)		<input type="checkbox"/>
Kindergarten (44 months to 7 years)		<input type="checkbox"/>
Family Age Grouping (Schedule 4)		<input type="checkbox"/>
<b>Before School Only (Kindergarten &amp; School Age)</b>		
Kindergarten (44 months to 7 years)		<input type="checkbox"/>
Family Age Grouping (Schedule 4)		<input type="checkbox"/>
<b>After School Only (Kindergarten &amp; School Age)</b>		
Kindergarten (44 months to 7 years)		<input type="checkbox"/>
Family Age Grouping (Schedule 4)		<input type="checkbox"/>
<b>Before and After School (Kindergarten &amp; School Age)</b>		
Kindergarten (44 months to 7 years)		<input type="checkbox"/>
Family Age Grouping (Schedule 4)		<input type="checkbox"/>

## Section 4: Staffing Information

Please indicate the number of staff in each designation.

*Do not include staff such as:*

- *Cook, custodial and other non-program staff positions.*
- *Special Needs Resource-funded resource teachers/consultants and supplemental staff.*
- *Staff hired through a third party (i.e., temp agency).*

*Note that qualified employees, supervisors, or home child care visitors that are not Registered Early Childhood Educators (RECEs) but are otherwise approved by a director under the Child Care and Early Year Act, 2014 (CCEYA) are not eligible for the wage floor or annual wage increase.*

Staff Type	Wage (/Hr) & Benefits	Full-time	Part-time	Total
<b>Non-RECE Program Staff (Non-RECE)</b>				
<b>Non-RECE Child Care Supervisor</b>				
<b>Non-RECE Home Child Care Visitor</b>				
<b>RECE Program Staff</b>				
<b>RECE Child Care Supervisor</b>				

<b>RECE Home Child Care Visitor</b>				
<b>Total</b>				

## Section 5: Attached Documents

In addition to submitting an application form and signing a Purchase of Service Agreement, the following documentation must be provided by the Licensed Child Care Service Provider, as applicable:

- Letters patent / articles of incorporation
- Licence issued by the director under the CCEYA (Ministry of Education)
- Certificate of Insurance (confirms a minimum \$2,000,000 liability insurance)
- [Insert any other documents required by the CMSM/DSSAB] to verify applicant eligibility

## Section 6: Terms of Application

Please check if you agree and understand that:

- I understand this is an application to determine eligibility to enroll in CWELCC System funding and to enter a Purchase of Service Agreement with [Name of CMSM/DSSAB].
- I have read and understand the requirements associated with CWELCC System funding as outlined in the [Name of CMSM/DSSAB] Guidelines, including eligible and ineligible expenses and requirements set out under O. Reg 137/15. I understand that, as the licensee, upon approval of my application for enrollment in the CWELCC System, the following terms and conditions apply to my enrollment:
  - Licensees must ensure that, after March 27, 2022, it does not charge a fee higher than its capped fee for any eligible children enrolled at the child care centre it operates or at a home child care premises it oversees unless the fee had already been communicated to parents. See O. Reg 137/15 for additional information about the cap on fees. Licensees are subject to the cap on fees until either the Licensee notifies the CMSM/DSSAB, staff and parents of eligible children in writing they are not applying to enroll in CWELCC in 2022, or the until the Licensee is notified by the CMSM/DSSAB of the decision about enrollment in CWELCC System.
  - Licensees are required to reduce their base fee, provide refunds to parents where applicable, in accordance with O. Reg. 137/15, and to increase the wages of Registered Early Childhood Educators to support a mandated wage

floor and an annual wage increase as well as any other requirements set by the CMSM/DSSAB.

- Licensees must maintain the age 0-5 spaces for which they are receiving funding to reduce base fees for eligible children. (e.g., a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the [insert name of the CMSM/DSSAB] and CMSMs/DSSABs may determine whether this may require recovering funding from the Licensee.
- As part of the initial roll out of the CWELCC System, Licensees are encouraged to work with their CMSM/DSSAB to develop a plan to ensure eligible children who receive fee subsidy and children with special needs have access to the Licensee's child care programs by January 1, 2025.
- CWELCC funding amounts to Licensees will be determined at the discretion of [insert name of the CMSM/DSSAB].
- Licensees may need to demonstrate financial viability to [insert name of the CMSM/DSSAB]. In exceptional cases where the Licensee is not able to demonstrate financial viability, or if the CMSM/DSSAB has strong concerns that the funding will be used for improper purposes, the CMSM/DSSAB may deny a licensee's enrollment in the CWELCC.
- Licensees must maintain existing cost structures in child care for eligible children, subsequent to March 27, 2022.
- Licensees acknowledge that [insert name of the CMSM/DSSAB] has the right to review a Licensee's base fee and may require Licensees to make adjustments to the base fee as determined by [insert name of the CMSM/DSSAB].
- Licensees must provide sufficient and detailed financial information for review in accordance with the funding, accountability and reconciliation process as determined by [insert name of the CMSM/DSSAB].
- Licensees must submit audited financial statements and other financial information as determined by the CMSM/DSSAB to verify that the funding provided was used for the purpose(s) intended. Where a Licensee fails to meet this requirement, funds may be recovered, or the Licensee may be ineligible to receive future funding.
- [insert name of the CMSM/DSSAB] has discretion to determine reasonability and eligibility of a Licensee's costs and expenses, and to adjust funding provided based on the CMSM/DSSAB review.
- Any adjustments and recoveries of funding will be determined at the discretion of [insert name of the CMSM/DSSAB] based on the CMSM's/DSSAB's reconciliation process.



- For for-profit child care Licensees, annually the net profit will be determined at the discretion of [insert name of the CMSM/DSSAB]. Where net profit would otherwise exceed this threshold, the Licensee will be required to return excess funding.
  - Licensees will be required to apply for the Wage Enhancement Grant to be eligible to receive funding to implement the wage floor and wage increase for Registered Early Childhood Educators employed by the Licensee. See the [insert name of the CMSM/DSSAB] Funding Guidelines for further details.
  - During the term of the CWELCC funding agreement, the licensed child care program may not exceed [insert minimum duration] of closure, and not more than [insert maximum duration] weeks of closure in a calendar year while still receiving full funding from the CWELCC System. Base fees cannot be charged for any closure above and beyond these timelines.
  - Licensees must permit the CMSM/DSSAB to audit financial and service records related to the CWELCC System at any reasonable time.
  - Licensees must adhere to all requirements as set out in applicable legislation, regulation and local requirements as provided in the [insert name of CMSM/DSSAB] Guidelines.
- I understand that should the application be approved, a Service Agreement will not be provided for signature until all financial, operating and licensing requirements are met, and the licensee complies with all legislative requirements and [insert name of CMSM/DSSAB] policies.
- I hereby attest that the information included in the application form is accurate at the time of submission.

## Notice of Collection of Personal Information

[CMSM/DSSAB may populate this section with language about the rules regarding collection of personal information.]

If you have any questions about the collection or use of the personal information as collected on this form, you may contact: [Insert CMSM/DSSAB contact name, position, and email address].

<b>Authorized Signing Officer Name:</b> <i>First, Last</i>  	<b>Signature:</b>  	<b>Date:</b> <i>yyyy-mm-dd</i>  
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## Appendix E: Template Letter from Licensees for parents

**Date:**

**To:** Enrolled Families

**From:** [Name of Licensee Point of Contact]  
[Position of Licensee Point of Contact]  
[Name of Licensee]

**Subject:** Canada-Wide Early Learning and Child Care Agreement between the Province of Ontario and the Government of Canada

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I am pleased to share that [Insert Name of Licensee] has enrolled in the Canada-wide Early Learning and Child Care (CWELCC) System between the Province of Ontario and the Government of Canada.

We believe that child care provides a strong foundation for early childhood development and well-being of children while parents work and we are committed to providing child care services that meet the needs of your children and families. Participating in the CWELCC System will help us continue to provide high quality child care that is accessible, affordable, inclusive, and sustainable.

As a first step, we will be reducing child care base fees<sup>1</sup> to \$XX a [day/month (insert applicable base fee per age group)].

Fee reduction through the CWELCC is for children under six years old (and any child who turns six years old between January 1 and June 30 in that calendar year)], retroactive to April 1, 2022. This means that we will be providing you with a rebate on your fees equal to the amount of the decrease to which you are entitled between April 1 and [Insert today's date].

The Ontario child care fee subsidy program will also continue to be available for eligible families.

As we move forward, we will continue to communicate more details to you. If you would like more information about the CWELCC System, please visit the [Insert ON website].

I want to personally thank all of you for your patience as we have worked through the process required for reducing child care fees. If you have any questions, please contact us at [Insert email address and phone number].

Sincerely,

[Name of Licensee Point of Contact]  
[Position of Licensee Point of Contact]  
[Name of Licensee]

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<sup>1</sup> "Base fee" means 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 *Child Care and Early Years Act, 2014* (CCEYA), or anything a licensee requires the parent to purchase from the licensee, but does not include a non-base fee.