

**Canada-Wide Early Learning Child Care**  
**2024 Child Care Funding Formula**  
**Discussion Paper**

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## Introduction

Precipitated by the Canada-wide Early Learning Child Care (CWELCC) agreement with the federal government, the Ministry of Education must ensure there is a sustainable funding model in place that is responsive to child care cost structures to support the child care system and growth.

The purpose of this discussion paper is to provide further information for service system managers and child care licensees, and to invite feedback as the Ministry of Education continues to design and develop the 2024 Canada-wide Early Learning Child Care (CWELCC) funding formula. Your feedback on this discussion paper will be vital to help the Ministry of Education refine the CWELCC funding formula which will support the child care sector and in turn help Ontario's families access affordable child care. Additional details will be provided later about elements such as special needs resourcing.

The discussion paper includes an overview of the proposed grant allocations, formulas (where they have been developed) and other criteria and parameters to calculate Consolidated Municipal Service Manager (CMSM) and District Social Services Administration Board (DSSAB) calendar year funding allocations for the CWELCC system.

The CWELCC funding formula applies to those licensees that have **enrolled in the CWELCC system and to the portion of their business that serves eligible children**. The CWELCC funding formula will streamline and replace all existing child care grants, including general operating and wage enhancement.

The existing funding mechanisms for 6 to 12 years old child care, EarlyON and on-reserve child care will continue to apply outside of this new funding formula. Potential changes to existing child care funding grants for 0 to 5 years old child care for those licensees that have not enrolled into the CWELCC system are under review. For greater clarity, the following are out of scope for the CWELCC funding formula: the portion of the business that serves children 6 to 12 years old, on-reserve child care, licensees that have not enrolled in CWELCC, and EarlyON.

On February 3, 2023, through the Child Care Licensing System, the Ministry of Education launched a mini-survey to licensees as an additional data collection method to inform the new CWELCC funding formula. Information was also requested from CMSMs and DSSABs through an excel based data collection. All child care licensees that have enrolled in CWELCC, as well as CMSMs and DSSABs, are asked to complete

this mini-survey by March 20, 2023, to allow the ministry to continue its development and refinement of the 2024 CWELCC funding formula for release later this year.

Please refer to the glossary of terms at the end of this paper for clarification on terms used throughout this discussion paper.

In this discussion paper, specific questions have been posed on each of the grants, but we welcome all comments regarding the matters addressed in the paper.

Please provide your written feedback online at <https://forms.office.com/r/gjWtF6nYne>. The deadline for comments is May 5, 2023.

**The CWELCC funding formula will preserve the valuable network of child care licensees, including supporting costs fairly to ensure financial viability of the child care system in Ontario.**

# CWELCC funding formula - overview

The CWELCC funding formula is intended to include six grants.

These grants would calculate CMSM/DSSAB gross funding entitlements before municipal contributions and parent fees are deducted as offsets. The remainder would become the CMSM/DSSAB net funding allocation under CWELCC.

1. program staffing grant
Plus: 2. program leadership grant
Plus: 3. operations grant
Plus: 4. accommodation grant
Plus: 5. home child care grant
Plus: 6. <u>service system management administration grant</u>
<b>Gross funding amount</b>
Minus: municipal contributions
Minus: <u>parent fees</u>
<b>Net funding amount</b>

The six grants are grouped as follows:

### Child care centre grants

- program staffing grant
- program leadership grant
- operations grant
- accommodations grant

### Child care agency grants

- home child care grant

### Administration grant

- service system management administration grant

Learn more about the grants in the *Grants in More Detail* section starting on page 7.

These six grants are components of the CWELCC funding formula and together with the offsets would make up the allocation to CMSMs and DSSABs.

The CWELCC funding formula is built to allocate funding to CMSMs and DSSABs; however will also capture the varying costs of licensees. Each grant section to follow includes details on how the funding formula will be applied for individual licensees' allocations.

Later this year, the Ministry of Education also intends to develop a budget planning tool that would provide an estimate of funding for a licensee and assist them in their planning.

Funding provided through all six grants would support the portion of the child care operation that can be attributed to supporting CWELCC eligible children, 0 to 5 years old. The **grants for child care centres** would use the licenced capacity of the infant, toddler, preschool, kindergarten and family age groups to calculate maximum funding allocations. The **home child care grant** would also use the number of active homes and would include an adjustment to reflect children attending who are 0 to 5 years old.

## Mechanics of the funding formula flow

Funding provided through the CWELCC funding formula is intended to support the financial viability of CWELCC child care programs.

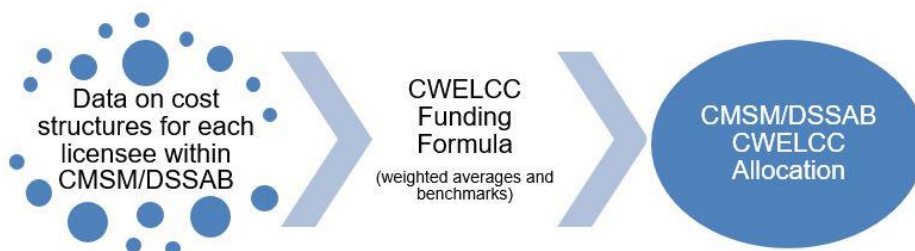
The Ministry of Education provides child care funding to CMSMs and DSSABs. CMSMs and DSSABs, as service systems managers, will continue to play a central role in the provision of child care funding to child care licensees. While this document focuses on the approach for calculating the funding from the Ministry of Education to CMSMs and DSSABs, details outlining how CMSMs and DSSABs would in turn provide funding to licensees are included under each section.



## How the CWELCC formula supports licensees

The CWELCC funding formula is a cost-based funding model, which means that it considers the cost structure of CWELCC enrolled child care licensees within each CMSM and DSSAB jurisdiction. This is why the current data collection “mini-survey” is foundational to building this cost-based model. Those cost structures, including their variability, are captured through weighted averages and benchmarks at the CMSM and DSSAB level in the funding formula.

Funding from CMSMs and DSSABs to licensees would consider the cost structure of each individual licensee and, since the formula captures high and low cost structures, the funding allocations would support the financial viability of licensees.



# Grants in more detail

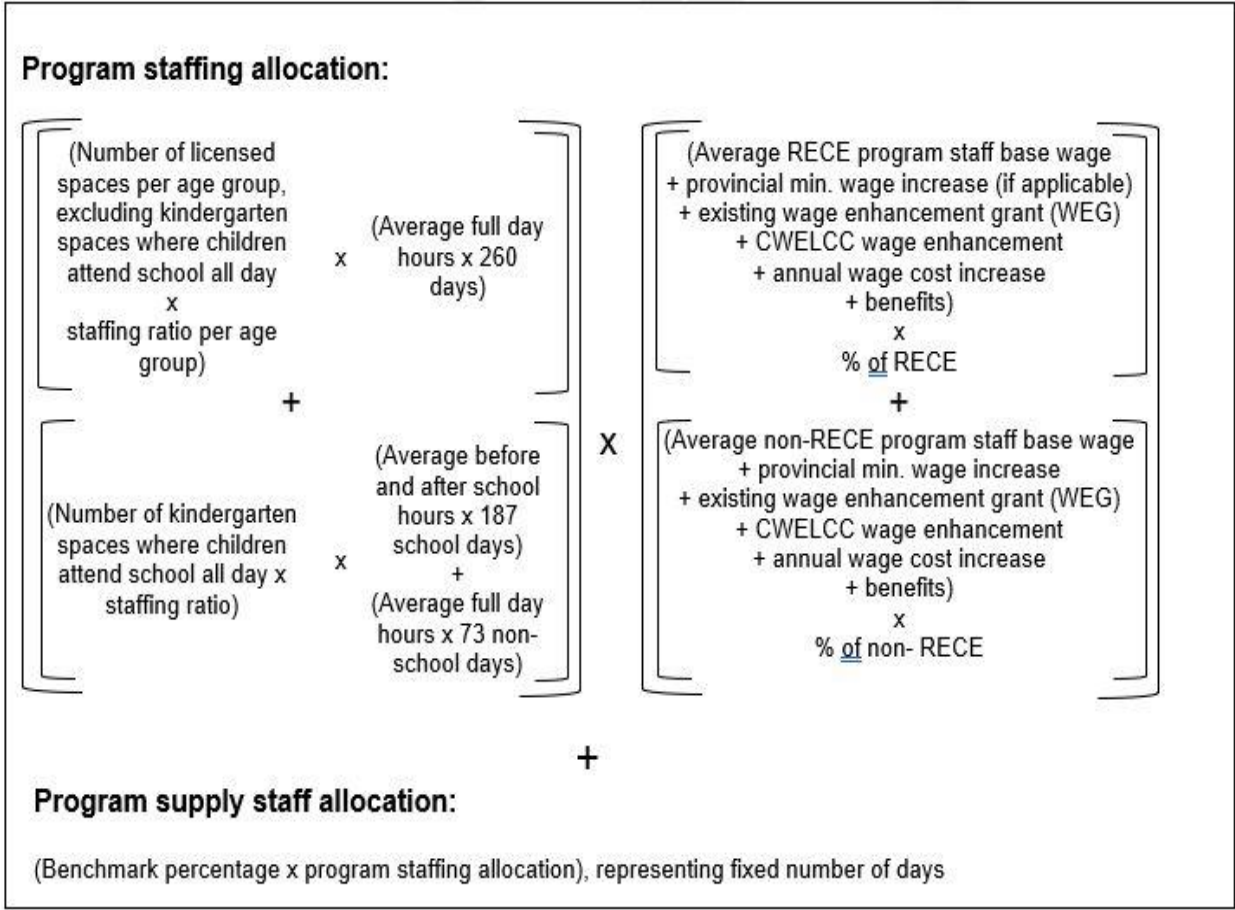
## 1. Program staffing grant

The program staffing grant is intended to support the wages and benefits of program staff working in participating licensed child care centres serving eligible children. It would be based on the ratios of employees to children required under [O. Reg 137/15 Schedule 1](#), of the [Child Care and Early Years Act, 2014](#) adjusted for length of program (day and year), as well as coverage during absences.

This grant is a “flow-through” grant which means that all funding is intended to be provided to child care centres dependant on their operational capacity.

The Program staffing grant would include two allocations:

- program staffing allocation
- program staffing supply staff allocation



In simple terms, funding would be calculated by multiplying the number of program staff working hours by the compensation cost per hour, and adding a supply staffing allocation (for coverage during absences). This calculation would be done at the child

care centre level and then aggregated to derive the program staffing grant amount for each CMSM/DSSAB, which could vary.

## **Program staffing allocation**

### ***Number of program staff working hours***

The number of program staff required for licensed spaces for each child care centre would be calculated based on ratios as defined under [O. Reg 137/15 Schedule 1](#). For example, the toddler group requires one staff per five toddlers.

The kindergarten age group would be calculated separately based on whether the space offers before-and-after school care or full-day care. Kindergarten before-and-after school care would be defined as a program that serves children attending school-delivered, full-day kindergarten. Some children of kindergarten age do not attend full-day kindergarten and attend full-day child care. A proration would be made to take into account kindergarten licensed spaces that are full-day child care spaces versus before-and-after school programs.

To determine how many hours and program staff are required for each child care centre, based on licensed spaces and ratios, the number of staff required will be multiplied by a child care centre's number of operating hours, based on an assumed number of operating days per calendar year. The number of operating hours is intended to recognize that centres are often open for longer than the standard work day and therefore the number of staff is not tied to a standard FTE rate.

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<b>Program type</b>	<b>Operating hours</b>	<b>Operating days</b>
Full day	Average full-day hours	260 days
Before-and-after school	Average before-and-after school hours	187 days
	Average full-day hours	73 days

### ***Compensation cost per hour***

Compensation cost per hour would be determined based on average wage information from the most recent annual child care operator survey (this is intended to represent existing wages of staff). Provincial minimum wage increases (if applicable), existing wage enhancement grant (WEG), CWELCC wage enhancement, and annual wage cost increases and benefits would also be included.

For clarity, the existing child care grants will be replaced by the CWELCC funding formula, which means that there would be no separate allocation for existing funding for staff serving eligible children. Centres that serve children 6 to 12 years old would continue to receive existing funding (outside of the CWELCC funding formula).



Registered early childhood educator (RECE) and non-RECE wages would be treated separately. The proportion of RECE versus non-RECE would also be determined at the child care centre level and based on the number of RECEs as required under [O. Reg 137/15 Schedule 1](#). Child care centres that currently operate above the number of RECEs set out in the regulation would be funded based on the current proportion of RECEs they employ.

### ***Program supply staff allocation***

In addition, an allocation for supply staff would be provided representing a number of days per year required for supply staff (for example, sick and vacation days). The ministry has requested information about benefits entitlements in the recently launched mini-survey to support this calculation. For more information about the mini-survey, please see the introduction section of this discussion paper.

### **Allocation to licensees**

The sections above describe how funding would be allocated from the Ministry of Education to CMSMs/DSSABs.

CMSMs/DSSABs would apply the same formula in calculating the program staffing grant allocation for each licensee with the following additional considerations regarding the data to be used to calculate the allocation:

- operating capacity<sup>1</sup> should be used instead of licensed capacity
- projected proportion of kindergarten spaces used for full-day child care vs. before-and- after school programs for the licensee
- projected operating hours and number of operating days of the child care centre
- projected wages and benefits of program staff and eligibility for WEG and CWELCC enhancements for staff working in the child care centre
- projected proportion of RECE vs non-RECE program staff in the child care centre

#### **Discussion questions:**

- Has the ministry considered all the appropriate parameters in the funding formula? If not, which ones are missing and why?
- Do you foresee any implementation challenges?

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<sup>1</sup> See glossary of terms at the end of this discussion paper for definition of operating capacity

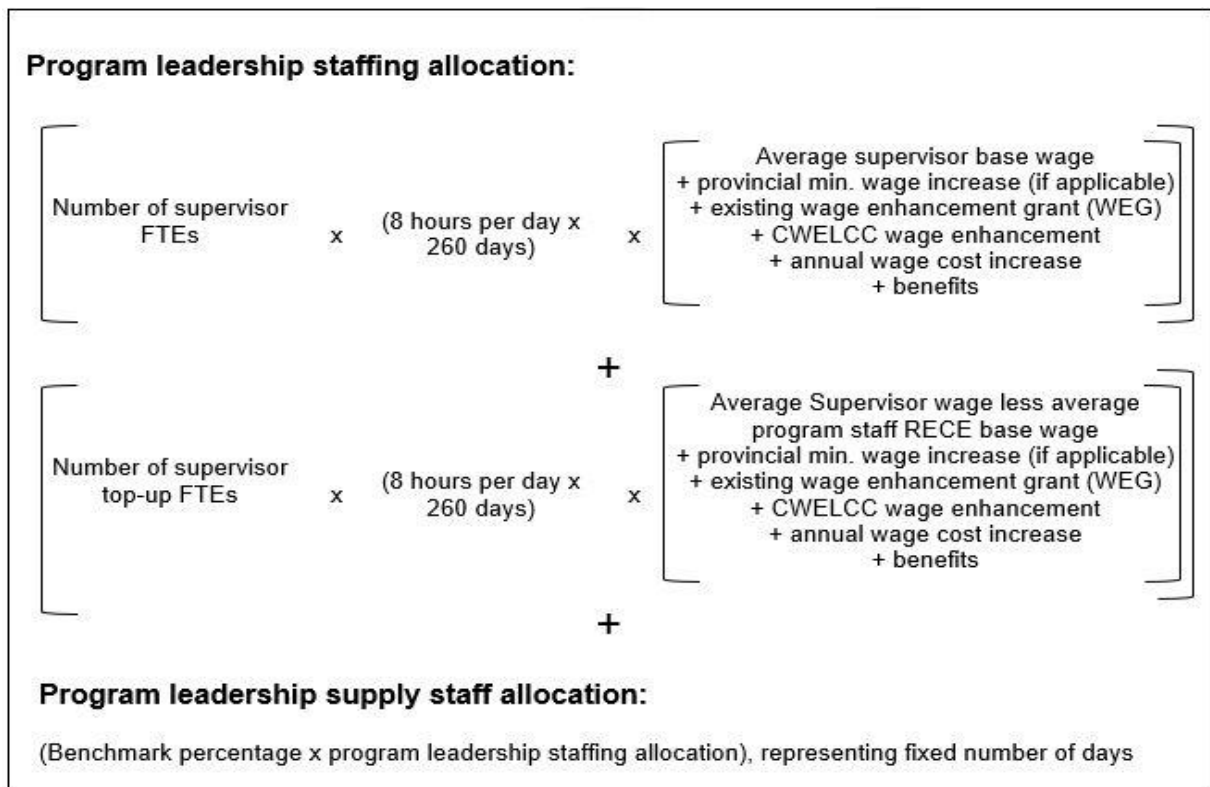
## 2. Program leadership grant

The Program leadership grant is intended to support the salaries and benefits of the supervisor working in the child care centres and would be based on required supervisory staff under [O. Reg 137/15, s. 6.\(4\)](#), adjusted with a top-up for small child care centres as well as coverage during absences.

This grant is a “flow-through” grant which means that all funding is intended to be provided to child care centres dependent on their operational capacity.

The Program leadership grant would include two allocations:

- program leadership staffing allocation
- program leadership supply staff allocation



In simple terms, funding would be provided based on **one supervisor full-time equivalent (FTE) per child care centre** (that is, for 8 hours per day per child care centre). The formula multiplies the leadership staff FTEs times the compensation cost per hour, and adds a supply staffing allocation. Where a child care centre is small, the formula includes only a top-up adjustment as the supervisor is eligible to support the required staff to child ratio and would have their wages and benefits (or a portion thereof) covered through the program staffing grant. This calculation would be done at

the child care centre level and then aggregated to derive the program staffing grant amount for each CMSM/DSSAB, which could vary.

**Program leadership staffing allocation**

***Leadership staff FTEs***

Every child care centre would be funded for one supervisor FTE. This could be made up of a portion of a supervisor FTE and a portion of a top-up FTE. To determine the combination of supervisor and top-up FTE, the number of program staff required is considered in a similar method as it is for the program staffing grant – number of licensed spaces by age group and the ratio of number of program staff required by age group under [O. Reg 137/15 Schedule 1](#).

The chart below depicts the number of funded supervisor FTE and top-up FTE, based on the number of program staff required. This breakdown is based on the requirements under [O. Reg. 137/15, s. 8 \(5\)](#) as to how much time the supervisor can spend working to support the staff to child ratio.

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<b>Estimated program staff (0 to 12)</b>	<b>Supervisor FTE</b>	<b>Top-up FTE</b>
Less than 5	0	1
5 or 6	0.5	0.5
7 or more	1	0

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A proration for children 0 to 5 years old is also applied to the FTE, for example, there are 100 children in the child care centre, and 75 are within 0 to 5 years old, then the proration is 75 per cent times the FTE.

***Compensation cost per hour – supervisor FTE***

Compensation cost per hour would be determined based on average supervisor salary information from the most recent annual child care operator survey (this is intended to represent existing salaries of staff). Provincial minimum wage increases (if applicable), existing wage enhancement grant (WEG), CWELCC wage enhancement, annual wage cost increases, and benefits would also be included. For clarity, the existing child care grants will be replaced by the CWELCC Funding Formula, which means that there would be no separate allocation for existing funding for staff serving eligible children. Centres that serve children 6 to 12 years old would continue to receive existing funding (outside of the CWELCC funding formula) for that age group.

### ***Compensation cost per hour – top-up FTE***

The compensation cost per hour for the top-up FTE would fund the difference in wages between a supervisor wage and an RECE program staff wage. This would reflect that the supervisor may work in ratio and therefore while their wage would be partially covered through the program staffing grant, there is recognition that the supervisor would have a higher wage even while supporting ratio which this top-up provides.

### **Program leadership supply staff allocation**

In addition, an allocation for supply staff would be provided representing a number of days-per-year required for supply supervision staff, for example, sick and vacation days. The ministry has requested information about benefits entitlements in the recently launched mini-survey to support this calculation. For more information about the mini-survey, please see the introduction section of this discussion paper.

### **Allocation to licensees**

The sections above describe how funding would be allocated from the Ministry of Education to CMSMs/DSSABs.

CMSMs/DSSABs would apply the same formula in calculating the program leadership staffing grant allocation for each licensee with the following additional considerations regarding the data used to calculate the allocation:

- projected working hours for the supervisor working in the child care centre
- projected number of operating days of the child care centre
- projected wages and benefits and eligibility for WEG and CWELCC enhancements of the supervisor working in the child care centre
- funding should be provided for up to one supervisor FTE through this grant
- funding from the operations grant could be used to support any additional supervisor FTEs above one, if applicable, in any child care centre

#### **Discussion questions:**

- Has the ministry considered all the appropriate parameters in the funding formula? If not, which ones are missing and why?
- Do you foresee any implementation challenges?

### 3. Operations grant

The operations grant is intended to support the operating costs of child care centres, for example, cleaning, utilities, food, supplies, office expenses and operating maintenance (for example, snow removal, landscaping, painting and electrical repairs). It would also support the salaries and benefits for other staff not supported through the program staffing grant or the program leadership grant for example, cooks, bookkeepers.

While the funding formula is under development, to be further informed by the mini-survey and other concurrent work, the operations grant is planned to include two allocations, based on the type of space in which the child care centre operates:

- operations – child care centres in schools
- operations – child care centres in community space
- 

**Operations grant allocation:**

**Child care centres in schools**

$$\left[ \# \text{ of licensed spaces} \times \text{Funding benchmark 'A' per space} \right] + \left[ \text{Gross floor area occupied by child care} \times \text{Funding benchmark 'B' per m}^2 \right]$$

**Child care centres in community spaces**

$$\# \text{ of licensed spaces} \times \text{Funding benchmark 'C' per space}$$

#### **Operations – child care centres in schools**

Operations funding for child care centres located in schools operated by publicly-funded school boards would consider two components:

- funding to support operating costs paid to school boards, for example, cleaning/janitorial and school utility costs, using square metre as the basis which mirrors funding for school board costs
- funding to support other operating costs (not paid to school boards), for example, food, equipment, supplies, using licensed spaces as the basis

#### **Operations – child care centres in community spaces**

Funding would be provided using a single benchmark, per-licensed-space.

For both types of spaces, in schools and in communities, the ministry is also considering the inclusion of a fixed amount or other funding mechanism, in addition to a per-space amount, to support smaller child care centres with a higher proportion of fixed costs.

A mechanism for addressing how to separate costs for the 0 to 5 age group from the 6 to 12 age group would also be developed.

### **Allocation to licensees**

The sections above describe how funding would be allocated from the Ministry of Education to CMSMs/DSSABs.

CMSMs/DSSABs would apply the same formula in calculating the operations grant allocation for each licensee with the following additional considerations regarding the data used to calculate the allocation:

- operating capacity should be used instead of licensed spaces

#### **Discussion questions:**

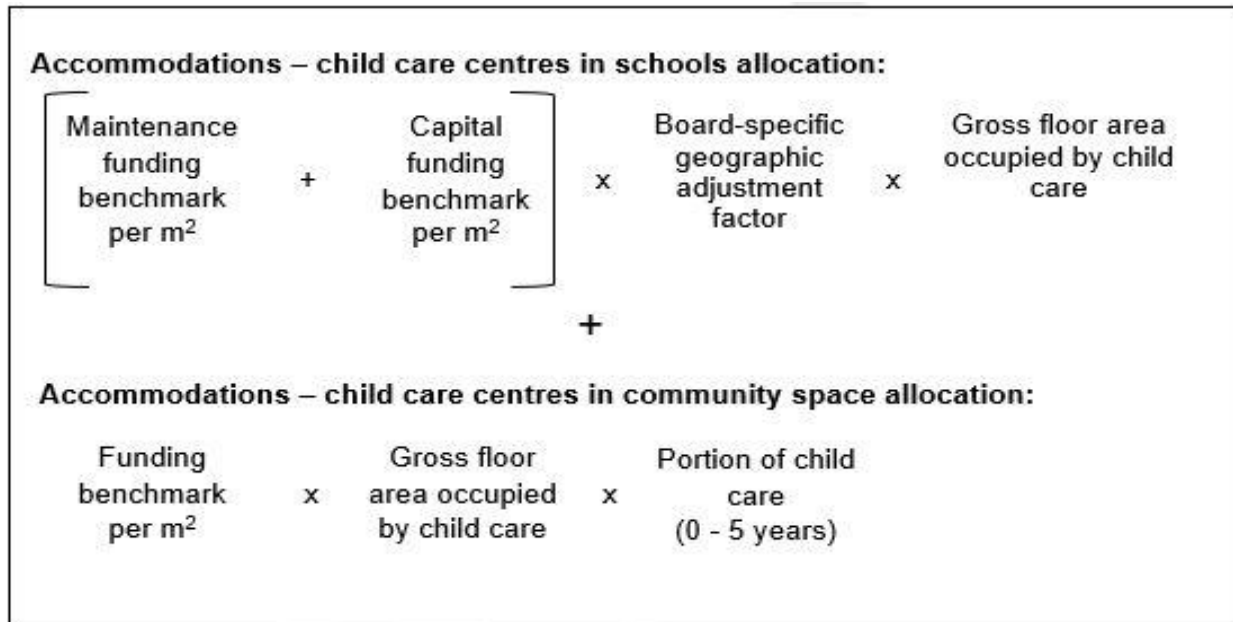
- Has the ministry considered all the appropriate parameters in the funding formula? If not, which ones are missing and why?
- Do you foresee any implementation challenges?
- As child care serves a wide range of families, what types of cost-driven adaptations should be included in the CWELCC Funding Formula to ensure programs continue to be culturally relevant?

#### 4. Accommodation grant

The accommodation grant is intended to support accommodation costs of child care centres, for example, mortgage/lease/rent, parking, storage, property taxes and capital maintenance, such as renovations, improvements and upgrades.

The accommodations grant would include two allocations:

- accommodations – child care centres in schools
- accommodations – child care centres in community space



#### Accommodation – child care centres in schools

For child care centres in schools, accommodation funding would be intended to support capital renewal and maintenance costs. Capital renewal would include additions, improvements or upgrades to the part of the school being used by the child care centre. Maintenance costs would include minor capital repairs including the replacement of building components due to wear and tear/damage that are generally charged to child care operators through a lease arrangement.

While the funding formula to support school board costs related to on-going capital renewal and maintenance for the space occupied by child care centres is currently being reviewed, the Ministry of Education is investigating options that would support the following principles:

- standardization of a formula across the province, with rates set by the provincial government
- accommodation cost transparency

Factors that are expected to be taken into consideration include:

- gross floor area occupied by the child care centre in the school
- facility condition and age of the building
- school location

A mechanism for separating costs for the 0 to 5 age group from the 6 to 12 age group would also be developed at a future date.

The ministry is also exploring options on how to minimize the administrative burden related to funding being provided from the provincial government to service system managers and child care operators that is to be remitted to school boards.

### **Accommodation – child care centres in community space**

For existing child care centres, it is intended that accommodation funding would support costs such as rent, mortgage payments, property tax, capital renewal, and capital maintenance. Costs related to cleaning, utilities, and operating maintenance would be funded under the operations grant.

The ministry plans to work with a third party to develop a set of provincial benchmarks based on annual market rent costs per square metre. The ministry will work with CMSMs/DSSABs to further refine the benchmarks in an iterative process. These benchmarks will endeavour to capture local variation in market rents across the province.

Accommodation funding for a child care centre would be based on the benchmark per square metre and the gross floor area of the child care centre. This calculation would be done at the child care centre level and then aggregated to derive the accommodation – child care centres in community space grant for each CMSM/DSSAB, which could vary.

Where actual rents are higher than the funding amount, a child care centre could submit a request via a business case on an exceptional basis to their CMSM/DSSAB, as appropriate, to demonstrate actual costs.

Where actual accommodation expenses are less than the funding amount provided, a child care centre would have flexibility in managing the funding (such as supporting other operating costs).

For new spaces, funding to CMSMs/DSSABs would be provided based on the approach described above for existing child care centres, but based on average child care centre sizes (both in terms of licensed spaces and gross floor area) within the CMSM/DSSAB as opposed to the gross floor area of child care centres.



**Allocation to licensees**

The sections above describe how funding would be allocated from the Ministry of Education to CMSMs/DSSABs, which would apply equally in calculating the accommodation grant allocation for each licensee.

CMSMs/DSSABs would be required to implement a process by which licensees may submit a business case for additional funding if the amount provided through the accommodations grant – child care centres in community space is not adequate to cover the current lease/rent amount.

**Discussion questions:**

- Has the ministry considered all the appropriate parameters in the funding formula? If not, which ones are missing and why?
- Has the ministry correctly identified the funding model principles to ensure equitable access for operators into schools?
- What would cause actual rents to exceed market rents?
- Where actual rents exceed the funding formula, should a ceiling amount be set (e.g., not greater than a certain percentage above the funding formula)?
- Do you foresee any implementation challenges?

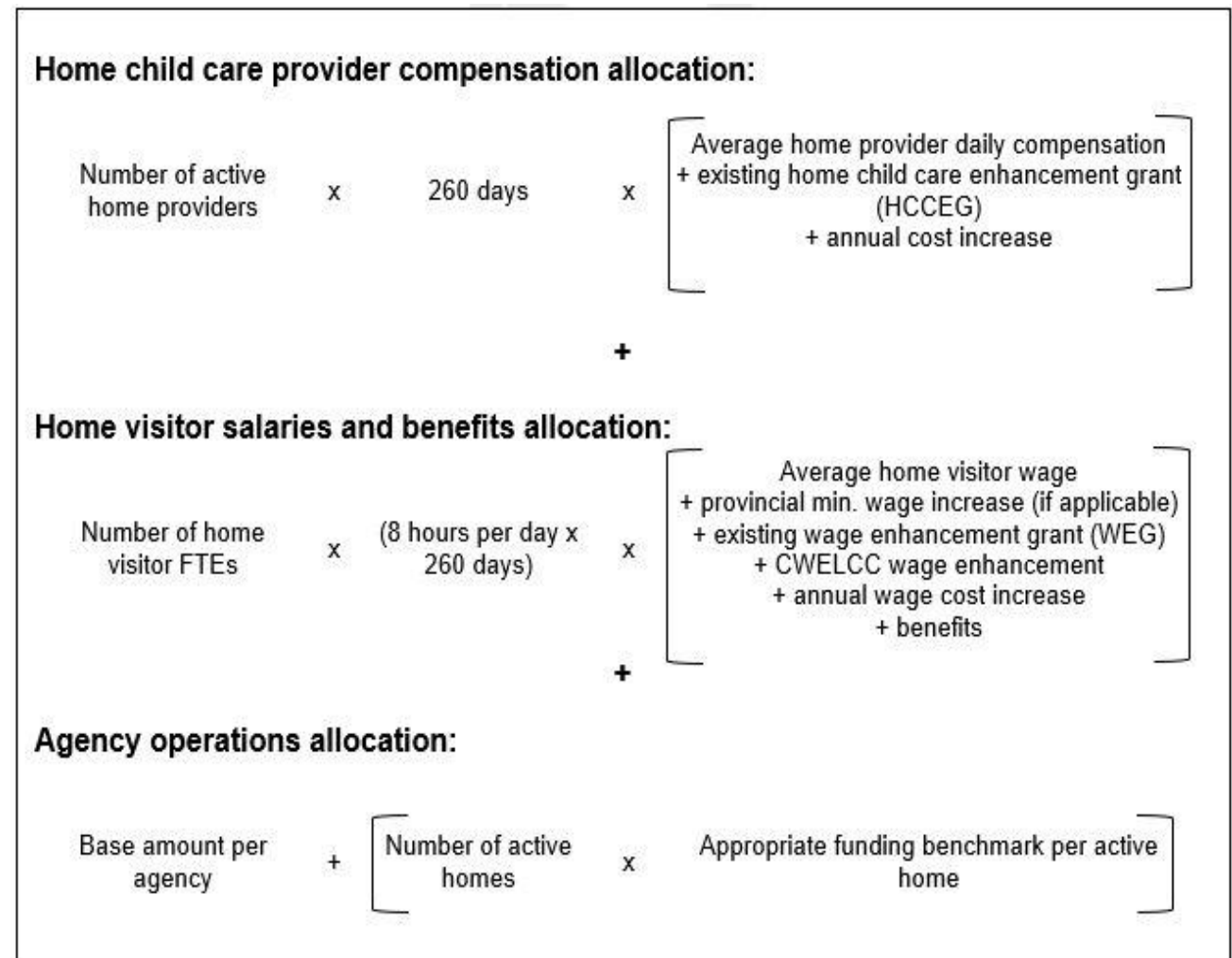
## 5. Home child care grant

The home child care grant is intended to support the licensed home child care agencies. This grant is a “flow-through” grant which means that all funding is intended to be provided to child care agencies dependent on operational capacity. Funding would be allocated based on the CMSM/DSSAB in which the head office of the agency is located (and not on where the homes are).

The home child care grant would include three allocations:

- home child care provider compensation allocation
- home visitor salaries and benefits allocation
- agency operations allocation

For both the home child care provider compensation allocation and the home visitor salaries and benefits allocation, a mechanism to address how to separate funding allocations for the 0 to 5 age group from the 6 to 12 age group would also be developed.



### **Home child care provider compensation allocation**

This funding is intended to support home child care provider compensation payments made by the agency to the active home child care provider with children 0 to 5 years old in their care. Funding would consider existing average daily compensation to home child care providers including the existing provincial home child care enhancement grant (HCCEG).

### **Home visitor salaries and benefits allocation**

This funding is intended to support home child care visitor wages and benefits. Funding would consider existing average wages for home child care visitors including the existing provincial wage enhancement grant (WEG). CWELCC annual wage increases and benefits would also be included.

Consideration would be given to fund a specific ratio of home child care visitors per number of active homes.

### **Agency operations allocation**

This funding is intended to support the role of the home child care agency. This would include, but is not limited to, office and administration expenses, recruitment and training of new home providers, and oversight and support for home child care visitors and home child care providers.

Funding would be provided per active home. The ministry is also considering including a fixed amount or other funding mechanism in addition to a per active home amount to support smaller agencies with fixed overhead costs.

### **Allocation to licensees**

The sections above describe how funding would be allocated from the Ministry of Education to CMSMs/DSSABs.

CMSMs/DSSABs would apply the same formula in calculating the home child care grant allocation for each licensee with the following additional considerations regarding the data used to calculate the allocation:

- operating capacity including the projected number of eligible children in active homes for the licensee
- projected operating days of the homes overseen by the licensee
- projected payments to home providers and eligibility for WEG for the active homes overseen by the licensee
- projected wages and benefits and eligibility for WEG and CWELCC enhancements of home visitors employed by the licensee
- projected working hours and number of working days of the home visitors employed by the licensee

**Discussion questions:**

- Has the ministry considered all the appropriate parameters in the funding formula? If not, which ones are missing and why?
- Any concerns with providing allocations based on the head office of the agency?
- Do you foresee any implementation challenges?

## 6. Service system management administration grant

The service system management administration grant is intended to support CMSMs/DSSABs in their role as service system managers and their administrative costs related to the CWELCC program and child care services for 0 to 5 age group.

While the funding formula is under development, to be further informed by the mini-survey, the ministry is considering allocating a base amount of funding per CMSM/DSSAB and also including an amount per licensee enrolled in CWELCC that the CMSM/DSSAB oversees. Further details will be provided in the future.

### **Discussion questions:**

- Has the ministry considered all the appropriate parameters in the funding formula? If not, which ones are missing and why?

## Conclusion

As always, we thank you for your continued collaboration and partnership to support Ontario children. We remain committed to working closely with you to facilitate the implementation of a new CWELCC Child Care funding formula, with the best interest of Ontario's children in mind. The benchmarks in the CWELCC funding formula will be reviewed annually.

We look forward to receiving your feedback/comments.

**Please note that the information provided in this discussion paper is preliminary and should not be interpreted as government direction on the final 2024 CWELCC funding formula as it is subject to further refinement and the government's approval process.**

## Glossary

**Eligible child** - means (a) any child, until the last day of the month in which the child turns six years old, and (b) up until June 30 in calendar year, and child who, (i) turns six years old between January 1 and June 30 in that calendar year, and (ii) is enrolled in a licensed infant, toddler, preschool or kindergarten group, a licensed family age group, or home child care.

**Home Child Care Provider** – means a person in charge of the children in a premises where home child care is provided.

**Home Child Care Visitor** – means a person described in O. Reg. 137/15 s. 56, who provides support at and monitors each premises where the licensee oversees the provision of home child care, and who shall be responsible to the licensee.

**Licensed Capacity** – means the maximum number of children, including the number in each age category, permitted to be receiving child care in the child care centre at one time as set out in the license of the child care centre.

**Operating capacity** - means the number of children the centre/home child care is planning to serve as per the licensee's staffing complement and budget, to a maximum ceiling of the licensed capacity. For example, a centre could be licensed for 15 toddlers, however, if the centre operates with two program staff only, then the centre's operating capacity is only ten spaces (this is two program staff x five toddlers per staff, where the number of children per staff is based on the maximum ratio permitted in [Schedule 1 or 4 of O. Reg. 137/15](#)).

**Program staff** - is defined as a person described under [O. Reg. 137/15 s. 54](#), who is an employee of the centre and is counted for the purposes of meeting the ratios required under [O. Reg. 137/15 s. 8](#) or s. [8.1](#).

**Supervisor** - is defined as a person described in [O. Reg. 137/15 s. 53](#), who shall plan and direct the program of the child care centre, be in charge of the children, oversee the staff and who shall be responsible to the licensee.

**Supply Staff** – means a person who performs the duties of supervisor, program staff, or home child care visitors when the regular staff is sick or on vacation.