

MEMORANDUM

2024: EYCC04

TO: Consolidated Municipal Service Managers and District Social Services Administration Boards

FROM: Holly Moran, Assistant Deputy Minister
Early Years and Child Care Division

DATE: August 1, 2024

SUBJECT: **New Child Care Funding Approach**

The ministry is grateful for your continued collaboration and values your ongoing feedback as we work together toward our shared goals of providing Ontario families with high-quality and affordable child care.

I am pleased to share the following to support early CMSM/DSSAB planning to implement a new cost-based approach to Canada-wide Early Learning and Child Care (CWELCC) funding, starting in 2025:

- A new CWELCC Cost-Based Funding Guideline, effective January 1, 2025;
- Preliminary 2025 child care funding allocations (excluding other funding not listed below, such as EarlyON allocations, which will be communicated later in 2024);
- Incremental 2024 CWELCC administrative funding allocations to support set-up costs associated with implementing the new cost-based approach; and
- Questions & Answers regarding the new child care funding approach.

As requested, to support smooth, effective, and consistent implementation, the ministry is providing CMSMs/DSSABs with these materials in advance of releasing the new guideline and related supports to licensees – and well in advance of the effective date. Note that the new CWELCC Cost-Based Funding Guideline includes placeholder references to sections of the remaining funding guidelines, which will come later in 2024, as well as a release date of the new Cost-Based Funding Guideline to licensees, all of which will be updated at appropriate times.

Investments for 2025

Investments from the Government of Ontario and the Government of Canada in the child care and early years system will **total more than \$5.6B for 2025** (excluding EarlyON):

- **\$4.61B in Cost-based funding** to support operating costs for licensees participating in CWELCC for the delivery of child care to children aged 0-5;

- **\$0.15B in Start-up Grant funding** to support capital costs for the achievement of creating affordable child care spaces for children aged 0-5;
- **\$0.76B in Local Priorities funding** to support operating costs largely outside of the CWELCC system, including fee subsidies and Special Needs Resourcing; and
- **\$0.08B in administrative funding** to support CMSMs/DSSABs with their administrative capacity to support the early years and child care sector.

The investments listed above have been allocated taking into account your current directed growth targets and may be adjusted through a potential recalibration of CWELCC space targets for 2025 and 2026. More information on space recalibration will follow later, including a request for data on progress towards space creation targets that will be used to inform the process.

Please refer to Appendix A for the Preliminary 2025 Child Care Funding Allocations.

Key Updates

a) Incremental 2024 CWELCC Administrative Funding

The Province recognizes that cost-based funding and the related accountability framework will transform sector funding and implementation. As a result, changes to existing policies and procedures, IT systems, service agreements with licensees, and the development of comprehensive training and communication materials may be required.

To support such set-up costs, the ministry will be releasing \$27.5M in one-time-only, incremental CWELCC administrative funding to CMSMs/DSSABs for 2024. CMSMs/DSSABs can refer to Section 3 of the most recent [2024 CWELCC Guideline](#) for more details on administrative spending guidance.

Please refer to Appendix B of this memo for one-time, incremental 2024 CWELCC funding allocations. 2024 transfer payment agreements and cashflow payments will be amended to reflect this increase in CWELCC administrative funding allocations as soon as possible.

b) Cost-based Funding (2025 onwards)

Starting January 1, 2025, the new funding approach described in the new Cost-Based Funding Guideline will take effect. Cost-based funding provides support for operating costs for licensees participating in CWELCC for the delivery of child care to children aged 0-5 years.

As described in the new guideline, cost-based funding is guided by the following principles:

- **Transparent:** Clear and consistent approach, both locally and across CMSMs/DSSABs so that licensees know what to expect from CMSMs/DSSABs.
- **Representative:** Funding is responsive to how child care is delivered in Ontario and based on the true costs of providing child care to eligible children.
- **Simple:** Easy to understand with minimal administrative burden.
- **Accountable:** Cost control structures and safeguards ensure accountability for and equitable distribution of public funding.

To achieve balance towards realizing these principles, cost-based funding allocations to licensees will include benchmark-based allocations with adjustment factors to account for geographic variances, growth top-ups for new spaces or top-ups for existing licensees whose cost structures exceed their benchmark allocations, and amounts in lieu of profit and surplus.

To ensure cost containment and the proper use of public funds, CMSMs/DSSABs will be required to reconcile funding allocated to licensees with their actual eligible costs at the end of the year, select licensees subject to Direct Engagements to Report on Compliance, and perform cost reviews of the most disproportionately high top-up allocations, among other measures.

Like previous years, the ministry is withholding a portion of child care funding – specifically cost-based funding for 2025 – to minimize recoveries at the end of the year. Like 2024, these amounts are based on ministry assumptions, such as operating capacity.

Please note that cost-based funding does not change the direct relationship between CMSMs/DSSABs and licensees, including dispute resolution.

For more information on the cost-based funding approach, please refer to the new Cost-Based Funding Guideline. The ministry also expects to share a technical paper with CMSMs/DSSABs later in 2024, which will provide further details on how the cost-based funding approach was designed.

c) Local Priorities

As part of the new child care funding approach, starting 2025, CMSMs/DSSABs will receive local priorities allocations to support child care programs as follows:

- General operating grants (for ages 6-12);
- Wage Enhancement Grant (WEG)/Home Child Care Enhancement Grant (HCCEG) and CWELCC wage enhancements, including those under the Workforce Strategy (for ages 6-12);
- Workforce Strategy – Professional Learning (for ages 0-12);
- Fee subsidies (for ages 0-12);
- Special needs resourcing (for ages 0-12);
- Capacity building (for ages 0-12); and
- Claims-based funding: Small Water Works and Territory without Municipal Organization (for ages 0-12).

While CMSMs/DSSABs will have flexibility in how to spend local priorities allocations, the remaining funding guidelines will include certain limitations on how such funding may be spent (for example, a minimum percentage spent on special needs resourcing; municipal cost share requirements). However, no significant changes for the above-listed child care programs are expected for 2025.

The ministry has been informed that employees in 25 of 47 regions may have received part or all of their CWELCC wage increase up front, rather than gradually, based on an interpretation of ministry guidelines for the program.

While not part of the Province's plan, service managers **will not** be required to recover related funding that has already been flowed to licensees in such cases. Wage increases for affected employees can be held constant until affected employees become eligible for additional increases.

For greater certainty and to ensure consistency across CMSMs/DSSABs going forward, the ministry is clarifying that “base wages” – for the purposes of wage enhancement allocations (such as WEG/HCCCEG or wage enhancements as part of the Child Care Workforce Strategy) – must include any general operating funding provided to licensees for the purposes of improving wages.

d) Non-CWELCC-Enrolled Licensees

Under the new cost-based funding approach, licensees not participating in CWELCC may continue to run their operations under the existing provincial licensing and regulatory framework.

Some of these non-participating licensees may currently be recipients of child care routine funding (that is, general operating, fee subsidy, or wage enhancement grants). Starting in 2025, as the age 0-5 portion of the routine funding is being integrated into cost-based funding under CWELCC to ensure the success of that system, routine funding must not be used to support such licensees, unless it relates to fee subsidies.

Existing fee subsidy agreements may continue to be funded until the benefitting child ages out of the program or leaves the licensee.

e) Next Parent Fee Reduction

Along with implementation of the new funding approach, to support the transition to \$10 per day average fees by the end of 2025-26, families with children in programs enrolled in the CWELCC system would see child care base fees capped at \$22 per day effective January 1, 2025. Regulatory amendments to Ontario Regulation 137/15 under the *Child Care and Early Years Act, 2014 (CCEYA)* will be required to operationalize this change to base fees, pending consultation and approval. When proposing changes to the regulations under the CCEYA, the ministry is required to consult with the sector for at least 45 days. Details related to this consultation will be communicated with the sector shortly and more information on the next parent fee reduction will be shared later in 2024.

f) Home Child Care Agencies with Active Homes in Multiple CMSM/DSSAB Jurisdictions

Starting in 2025, when an eligible agency has active homes in multiple CMSM/DSSAB jurisdictions, the overseeing CMSM/DSSAB will receive an allocation to cover all the agency’s active homes, other than new active homes within other (“secondary”) CMSM/DSSAB jurisdictions after a “specified date” (for 2025, this specified date is December 31, 2022).

Thank you for your ongoing support and valuable feedback. We look forward to continuing to work together to support Ontario's early years and child care sector and the children and families it serves.

Sincerely,

Original signed by:

Holly Moran
Assistant Deputy Minister
Early Years and Child Care Division

cc: Matthew DesRosiers, Director, Funding Branch
Katie Williams, Director, Early Years Branch
Karen Puhmann, Director, Child Care Branch

APPENDIX A - 2025 Child Care Allocation

CMSM/DSSAB	Cost-Based Allocation	Cost-Based Allocation Holdback	Total Cost-Based Allocation	Start-up Grants	Local Priorities Allocation	Administration Allocation	Total 2025 Child Care Allocation
Corporation of the City of Brantford	30,392,229	570,080	30,962,309	1,897,200	5,879,164	708,234	39,446,907
City of Cornwall	18,344,381	397,788	18,742,169	1,323,000	5,245,112	570,462	25,880,743
City of Greater Sudbury	56,004,567	3,328,432	59,332,999	105,600	10,223,437	1,076,908	70,738,944
The City of Hamilton	142,157,399	1,630,081	143,787,480	3,728,700	33,064,094	3,223,315	183,803,589
Corporation of the City of Kawartha Lakes	14,631,748	558,263	15,190,011	1,241,100	3,387,865	401,649	20,220,625
Corporation of the City of Kingston	28,397,499	348,658	28,746,157	819,000	6,307,386	700,493	36,573,036
Corporation of the City of London	114,322,605	1,363,052	115,685,657	8,140,500	23,447,411	2,381,543	149,655,111
City of Ottawa	368,461,403	7,115,880	375,577,283	4,591,200	57,495,575	6,041,250	443,705,308
Corporation of the City of Peterborough	34,961,916	558,415	35,520,331	713,100	6,125,889	700,545	43,059,865
Corporation of the City of St. Thomas	20,837,770	718,278	21,556,048	2,469,600	4,318,741	499,158	28,843,547
Corporation of the City of Stratford	19,166,721	457,203	19,623,924	2,781,900	2,949,874	399,046	25,754,744
City of Toronto	1,249,998,631	19,092,766	1,269,091,397	34,276,500	209,041,809	19,411,007	1,531,820,713
Corporation of the City of Windsor	104,266,989	2,887,240	107,154,229	4,527,000	20,936,706	2,096,803	134,714,738
Corporation of the County of Bruce	21,012,071	644,445	21,656,516	1,443,300	2,874,809	393,884	26,368,509
Corporation of the County of Dufferin	18,200,272	176,957	18,377,229	1,692,000	2,463,032	356,199	22,888,460
Corporation of the County of Grey	18,644,184	265,905	18,910,089	1,132,200	4,007,731	461,416	24,511,436
Corporation of the County of Hastings	33,555,715	356,499	33,912,214	372,300	5,924,790	683,048	40,892,352
Corporation of the County of Huron	11,716,857	198,379	11,915,236	450,000	2,478,369	320,412	15,164,017
Corporation of the County of Lambton	27,626,095	970,512	28,596,607	1,140,900	7,811,513	765,565	38,314,585
County of Lanark	16,753,366	516,999	17,270,365	220,500	2,954,102	398,525	20,843,492
County of Lennox & Addington	11,262,909	242,662	11,505,571	1,008,000	2,529,214	338,987	15,381,772
County of Northumberland	16,066,439	543,944	16,610,383	319,200	3,039,965	384,779	20,354,327
County of Oxford	24,334,873	335,973	24,670,846	8,184,900	4,002,663	528,365	37,386,774
County of Renfrew	18,756,278	421,691	19,177,969	-	4,160,781	452,012	23,790,762
County of Simcoe	114,071,535	960,873	115,032,408	3,975,900	18,342,201	2,079,719	139,430,228
County of Wellington	73,805,742	430,150	74,235,892	3,656,700	9,420,068	1,003,843	88,316,503
District Municipality of Muskoka	11,539,404	351,090	11,890,494	412,500	2,426,283	319,841	15,049,118
Corporation of the Municipality of Chatham-Kent	27,654,612	1,081,180	28,735,792	22,500	7,391,752	712,161	36,862,205

CMSM/DSSAB	Cost-Based Allocation	Cost-Based Allocation Holdback	Total Cost-Based Allocation	Start-up Grants	Local Priorities Allocation	Administration Allocation	Total 2025 Child Care Allocation
The Corporation of Norfolk County	17,394,198	769,507	18,163,705	256,500	4,167,041	462,622	23,049,868
Regional Municipality of Durham	188,853,645	2,631,981	191,485,626	3,465,000	29,258,431	3,188,195	227,397,252
Regional Municipality of Halton	209,790,099	2,267,079	212,057,178	1,765,800	23,873,777	2,906,172	240,602,927
Regional Municipality of Niagara	152,955,481	1,659,691	154,615,172	9,360,000	19,759,619	2,134,306	185,869,097
Regional Municipality of Peel	457,298,779	4,025,665	461,324,444	27,135,900	79,172,798	7,866,851	575,499,993
Regional Municipality of Waterloo	174,556,756	4,095,551	178,652,307	5,993,100	25,265,386	3,064,522	212,975,315
Regional Municipality of York	450,853,570	10,219,064	461,072,634	4,099,500	61,688,944	6,531,543	533,392,621
United Counties of Leeds & Grenville	23,856,604	188,473	24,045,077	1,368,000	3,789,378	460,526	29,662,981
United Counties of Prescott & Russell	25,926,249	1,222,648	27,148,897	103,200	4,206,192	552,769	32,011,058
Algoma District Services Administration Board	11,264,933	493,046	11,757,979	368,400	2,648,432	312,883	15,087,694
District of Cochrane Social Service Administration Board	22,156,342	1,441,437	23,597,779	508,500	5,439,218	555,313	30,100,810
District of Nipissing Social Services Administration Board	32,532,132	1,329,021	33,861,153	205,500	5,518,800	602,099	40,187,552
District of Parry Sound Social Services Administration Board	8,840,287	216,559	9,056,846	116,400	2,850,056	318,249	12,341,551
District of Sault Ste Marie Social Services Administration Board	21,748,933	478,403	22,227,336	353,100	4,035,407	444,486	27,060,329
District of Timiskaming Social Services Administration Board	11,809,583	484,964	12,294,547	135,000	3,591,781	356,224	16,377,552
Kenora District Services Board	25,666,268	443,095	26,109,363	4,345,200	4,063,259	434,374	34,952,196
Manitoulin-Sudbury District Social Services Administration Board	10,588,124	427,995	11,016,119	97,200	3,621,872	351,093	15,086,284
Rainy River District Social Services Administration Board	11,462,023	583,206	12,045,229	531,000	2,002,392	240,956	14,819,577
District of Thunder Bay Social Services Administration Board	26,988,479	1,110,752	28,099,231	171,000	7,506,550	709,771	36,486,552
PROVINCIAL TOTAL	4,531,486,695	80,611,532	4,612,098,227	151,023,600	760,709,669	78,902,123	5,602,733,619

APPENDIX B - 2024 Incremental Administration Allocation

CMSM/DSSAB	2024 Incremental Administration Allocation
Corporation of the City of Brantford	276,619
City of Cornwall	183,029
City of Greater Sudbury	445,105
The City of Hamilton	1,139,665
Corporation of the City of Kawartha Lakes	194,048
Corporation of the City of Kingston	357,006
Corporation of the City of London	915,760
City of Ottawa	1,932,087
Corporation of the City of Peterborough	350,910
Corporation of the City of St. Thomas	226,857
Corporation of the City of Stratford	204,967
City of Toronto	4,315,927
Corporation of the City of Windsor	730,596
Corporation of the County of Bruce	232,942
Corporation of the County of Dufferin	197,935
Corporation of the County of Grey	210,405
Corporation of the County of Hastings	328,628
Corporation of the County of Huron	179,472
Corporation of the County of Lambton	310,435
County of Lanark	220,220
County of Lennox & Addington	163,124
County of Northumberland	217,052
County of Oxford	314,824
County of Renfrew	246,213
County of Simcoe	725,185
County of Wellington	427,519
District Municipality of Muskoka	181,981
Corporation of the Municipality of Chatham-Kent	298,727
The Corporation of Norfolk County	270,294
Regional Municipality of Durham	1,288,822
Regional Municipality of Halton	1,115,528
Regional Municipality of Niagara	816,888
Regional Municipality of Peel	2,882,766
Regional Municipality of Waterloo	1,016,492
Regional Municipality of York	2,151,695
United Counties of Leeds & Grenville	232,695

CMSM/DSSAB	2024 Incremental Administration Allocation
United Counties of Prescott & Russell	271,398
Algoma District Services Administration Board	127,564
District of Cochrane Social Service Administration Board	239,793
District of Nipissing Social Services Administration Board	281,504
District of Parry Sound Social Services Administration Board	169,795
District of Sault Ste Marie Social Services Administration Board	215,800
District of Timiskaming Social Services Administration Board	143,775
Kenora District Services Board	224,708
Manitoulin-Sudbury District Social Services Administration Board	156,258
Rainy River District Social Services Administration Board	134,842
District of Thunder Bay Social Services Administration Board	281,928
PROVINCIAL TOTAL	27,549,785