Ontario

Ministry of Education

2024 Canada-wide Early Learning and Child Care Guidelines

For Consolidated Municipal Service Managers and District Social Services Administration Boards

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HIGHLIGHTS OF CHANGES FROM NOVEMBER 2023 RELEASE

Section 1 – Participation

- Clarified (under Reporting): CMSMs/DSSABs must maintain records of enrolment including drop-out notice date (date the licensee expresses in writing desire to de-enrol) and rationale for de-enrolment, if applicable.
- Updated: Contact details at the ministry for application that have been declined.

Section 2 – Accountability

- Clarified: CMSMs/DSSABs may access their holdback to support enrolment up to full licensed capacity by demonstrating that space occupancy exceeds the assumed targeted operating capacity.
- Clarified: Expectations with respect to value-for-money audits.
- Added: Value-for-money audit submission timelines.
- Clarified: Expectations on financial statements and attestations from licensees.

Section 6 – Workforce Compensation

- Updated: To include the increase to the wage floor and eligibility ceiling that came into effect January 1, 2024.
- Clarified: Descriptions of eligible and ineligible positions for annual wage and wage floor increases and minimum wage offset.
- Clarified: Description of annual wage increase and wage eligibility ceiling.
- Added: Clarification that workforce compensation funding is tied to the position not the individual staff.
- Updated: Examples to assist with calculating the order of operations for the wage floor, annual wage increase and eligibility ceiling.
- Clarified: Description of minimum wage offset.
- Added: Example to help clarify the calculation of the minimum wage offset.
- Clarified: Funding for minimum wage increase to $15.00 per hour.
- Removed: Section on Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019.
- Updated: Implementation requirements for licensees including retroactive payment guidance (if needed) and sharing of information about workforce compensation changes with staff.

Section 7 – Cost Escalation

- Clarified: The licensee’s General Operating Grant for 2023 in the formula for cost escalation funding to licensees should include the respective 2.75% cost escalation provided in 2023.

Section 8 – Emerging Issues

- Clarified: Financial viability, for purposes of prioritization of emerging issues funding, means that a licensee has a clear and sustainable financial plan to manage unexpected and non-discretionary costs without compromising ongoing operations.

Section 9 – Start-up Grants

- Updated: Start-up grants funding caps for eligible licensees per licensed child care centre space and per licensed home child care space.

Appendix A – CWELCC Funding Allocations Technical Paper

- Added: Revised fee reduction and workforce compensation allocation to include additional workforce compensation for the increase to the wage floor and eligibility ceiling that came into effect January 1, 2024, as part of the Workforce Strategy.
- Added: Revised allocation amount for 2024 emerging issues.
- Added: Revised Start-up Grant allocation approach to align with new parameters per space.

Appendix D – Sample Application Form for Start-up Grants

- Updated: Reference to start-up grants funding cap for eligible licensees per licensed child care centre space.

Appendix E – Sample Attestation for Value-for-Money Audits Performed Prior to March 2022

- Added: Sample attestation form for CMSMs/DSSABs.

DEFINITIONS

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

"Assumed Targeted Operating Capacity" means the number of child care spaces that the ministry has estimated will be operating during the calendar year by CMSM/DSSAB. It was calculated by CWELCC-enrolled licensee and rolled up by CMSM/DSSAB as follows:

- For child care centres, their operating capacity as at December 31, 2022 plus 2/3 of the difference between their licensed and their operating capacity as at December 31, 2022 to a maximum ceiling of their licensed capacity
- For home child care agencies, number of eligible children enrolled in home child care as at December 31, 2022
- For new spaces, as per space targets for 2023 and 2024 in the Directed Growth Plans communicated on May 24, 2023.

"**Base fee**" means any fee or part thereof that is charged in respect of an eligible child for child care, including anything a licensee is required to provide under the *Child Care and Early Years Act, 2014 (CCEYA*) and its regulations, or anything a licensee requires the parent/guardian 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 designated as a Service System Manager as defined in the *CCEYA*.

"**CWELCC**" means the Canada-wide Early Learning and Child Care System for early years and child care and the related funding provided to support it through an agreement entered into by the Province of Ontario and the Government of Canada.

"**Directed Growth**" means the Province's plan to target child care space growth to areas of high need. In alignment with the Province's CWELCC Access and Inclusion Framework to support better access to child care for communities that have traditionally faced barriers, CMSMs/DSSABs have an approved target number of new spaces to create, supported by CWELCC funds.

"**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 a given calendar year, any child who, (i) turns six years old before July 1 of 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.

"Enrolment date" means the date when a CWELCC service agreement between the CMSM/DSSAB and the Licensee becomes effective, and it normally is the date when the agreement is executed between the parties.

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

“**Licensed Capacity**” means:

- For a licensed child care centre, the maximum number of children, including the number in each age category, permitted to be receiving child care at one time as set out in the licence of the child care centre; or
- For licensed home child care, the maximum number of children permitted to be receiving child care in the home at one time as set out in the agreement between the licensed home child care agency and home child care provider.

“**Licensee**” means the operator of a home child care agency or child care centre that holds a licence issued under the *CCEYA*.

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

“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.

“Semi-fixed costs” means licensee costs that are fixed for a set level of operating capacity, but that become variable when the operating capacity is exceeded (for example, staff wages).

OVERVIEW & KEY PRINCIPLES

This document ("CWELCC Guidelines") is to be used as a technical document for CMSMs/DSSABs to administer the 2022 Canada-wide Early Learning and Child Care (CWELCC) Agreement between the Province of Ontario and the Government of Canada.

The document outlines the parameters and general principles under which the Ministry of Education (the ministry) will flow funding to CMSMs/DSSABs for 2024 under CWELCC, and describes the requirements of the funding, including obligations for CMSMs/DSSABs.

Nothing in these CWELCC Guidelines detracts from the licensee's obligations under the *Child Care and Early Years Act, 2014* (*CCEYA*), its regulations, or any other applicable legislation and, in the event of a conflict, legislative requirements will prevail.

Direction outlined in the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)* remains in place, except for investments described in this document. 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 (2024)*, this document will prevail.

When implementing these CWELCC Guidelines, the following overarching principles should be adhered to:

1. **Quality:** These CWELCC Guidelines must be implemented in a way as to ensure the delivery of high-quality child care, as defined in the *CCEYA*.

2. **Child and family focused:** Affordability for parents/guardians should be increased with a goal of processing applications on an ongoing basis and getting rebates and cost reductions to parents/guardians as quickly as possible.

3. **Protection of spaces regardless of auspice:** The child care spaces provided by both for-profit and not-for-profit licensees in the province should be protected, helping to support predominantly female entrepreneurs across the province to meet the varying child care needs of Ontarians.

4. **Efficient administration:** Administrative processes and systems should collect the minimum information necessary from licensees, and support timely enrolment and implementation of CWELCC.

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 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) Reaching an average base fee of $10 a day in 2025-26 for licensed child care spaces by introducing a 25 per cent average base fee reduction in 2022, increased to a 50 per cent reduction (based on 2020 levels) for licensed child care starting on December 31, 2022;

b) Creating 86,000 new, high-quality, affordable licensed child care spaces (relative to 2019 levels) by December 31, 2026, predominantly through not-for-profit licensed child care;

c) Addressing barriers to provide inclusive child care; and

d) Valuing the early child care workforce and providing them with training and development opportunities.

Initial Transition

Ontario has taken a phased approach to implementing CWELCC, with an initial 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 allows the ministry to engage with CMSMs/DSSABs and the broader early years and child care sector, and provides the necessary time for sector partners to align with the terms and conditions of CWELCC, while enabling 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 CWELCC, and CMSMs/DSSABs will provide funds to enrolled licensees.

These CWELCC Guidelines and the funds detailed in Budget Schedule D3 of its associated transfer payment agreement specifically support the objectives under CWELCC and are separate and distinct from Budget Schedules D1 and D2 related to 2024 Child Care, and EarlyON Allocations.

Upcoming CWELCC funding approach

The ministry is continuing to actively engage with the early years and child care sector in the development of the new CWELCC funding approach with the goal of improving clarity and transparency. The release and implementation timeline of the revised approach will be announced at a later date, with an effective date that provides sufficient time for implementation.

SECTION 1: PARTICIPATION

1.1 PURPOSE

Licensees that provide home child care or centre-based programs serving eligible children in Ontario may apply to participate in CWELCC through their CMSM/DSSAB, provided their application complies with the requirements of O. Reg.137/15 (s.77.3(2)).

If a licensee decides not to proceed with their application at any time, they may withdraw the application. Once enrolled in CWELCC, if a licensee no longer wishes to continue to participate, they may withdraw from CWELCC and, subject to the terms and conditions of their CWELCC service agreement with the CMSM/DSSAB, terminate that agreement. CMSMs/DSSABs must not impose any penalties on licensees for terminating their contracts.

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

1.2 ELIGIBILITY

- Licensees must complete and submit an application to their CMSM/DSSAB to demonstrate that they meet the regulatory requirements to be eligible to participate in the CWELCC System.
- Under O. Reg.137/15 (s.77.3(2)), CMSMs/DSSABs may enrol into CWELCC only those licensees that align with the region's approved Directed Growth allocation and the provincial Access and Inclusion Framework, and CMSMs/DSSABs have the discretion to deny enrolment to licensees where the program is not consistent with the CMSM's/DSSAB's Directed Growth Plan (refer to Declining an Application, further in this section.
    - CMSMs/DSSABs are also required to ensure that opportunities for community-based delivery participation are exhausted before direct child care delivery by the CMSM/DSSAB.
- All licensees enrolling into CWELCC will need to demonstrate their financial viability to the CMSM/DSSAB, and licensees enrolled in CWELCC will need to maintain that financial viability to continue to receive funding from CMSMs/DSSABs. For example, CMSMs/DSSABs may look for where a licensee has accumulated arrears, has not serviced their debt, or is approaching bankruptcy.
- New licensees who enrol into CWELCC must align their fees to rates capped on March 27, 2022 and reduce fees on a go-forward basis in accordance with O. Reg. 137/15 (s.77.1(1)) (refer to Section 4: Fee Reduction).
- All licensees participating in CWELCC must maintain existing (pre-CWELCC announcement on March 28, 2022) licensed child care spaces for children ages 0 to 5 (for example, 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.

- Licensed child care centres participating in CWELCC must have a CWELCC service agreement with the CMSM/DSSAB in the areas they provide care, whereas licensed home child care agencies must have a CWELCC service agreement with the CMSM/DSSAB where their head office is located.

1.3 IMPLEMENTATION

Licensees applying to participate in CWELCC are required under O.Reg.137/15 to communicate to all parents/guardians and staff within 14 calendar days of their CMSMs'/DSSABs' notification of the approval or denial of their applications.

Funding provided through CWELCC is specific to meeting CWELCC objectives. Licensees enrolled in CWELCC are not by default eligible to access 2024 Child Care and EarlyON Allocations if they are not already in receipt of this funding. Licensees will, however, continue to be able to apply for the Wage Enhancement Grant (WEG) as a prerequisite to accessing CWELCC wage compensation funding for eligible staff.

CMSMs/DSSABs are able to provide Special Needs Resourcing (SNR) funding to support children and families in the CWELCC program through their regular purchase of service process.

Licensees enrolled in CWELCC are encouraged to work with their CMSMs/DSSABs to develop plans to increase access for children in receipt of fee subsidies and children with special needs to the licensees' child care programs.

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

- Licensees **maintain their licences** to operate in good standing in accordance with the *CCEYA* and are not in contravention of the *CCEYA* and its regulations. CMSMs/DSSABs are required to stop funding a child care program that has its licence revoked or suspended by the ministry or director, if applicable, and in accordance with the terms and conditions of the CWELCC service agreement.

- Licensees **maintain spaces for children aged 0 to 5** for which they are receiving fee reduction funding (for example, a licensed infant space must remain an infant space). Any revisions or use of alternate capacity by a licensee must be reported to their CMSM/DSSAB which should determine whether this may require adjusting or recovering funding from the licensee.

- Licensees **reduce and set base fees** in accordance with O. Reg. 137/15. Licensees are required per O. Reg.137/15 (s.77.3(4)) to keep a copy of their CWELCC service agreements, in electronic or hard copy format, on the child care premises, and available for ministry inspection.

- Licensees **meet their workforce compensation obligations** with respect to providing wage increases to eligible staff.

- Licensees **complete the annual data collection exercise, currently referred to as the *Licensed Child Care Operations Survey***, which may be amended from time to time, as required by the ministry, under O. Reg. 137/15 (s.77). CMSMs/DSSABs are required to withhold funding to licensees until the CMSM/DSSAB has confirmed that the information has been submitted by the licensee. CMSMs/DSSABs will receive confirmation from the ministry upon the licensee's submission of the information.

1.3.1 New licensees

Child care licensees that obtain their licence after March 27, 2022, are required to set their base 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/guardians before the requirement under the regulation became effective.

These regional maximum base fees apply until one of the two conditions is met: 1) the licensee provides notification to the CMSM/DSSAB that the licensee is not participating in CWELCC, or 2) the licensee receives notice from the CMSM/DSSAB that its application for CWELCC has been accepted in which case the base fees must be reduced (refer to Section 4: Fee Reduction).

1.3.2 New (active) home child care premises

In 2024, home child care agency licensees have transitioned to differentiated capacities by service area. If a Licensed Home Child Care (LHCC) agency oversees licensed home child care premises in multiple service areas, its licence will specify the maximum number of approved home child care premises the agency may oversee in each specific CMSM/DSSAB service area.

If CWELCC-enrolled LHCC agencies wish to expand (e.g., oversee more home child care premises than is currently set out on their license for a given service area), they are required to demonstrate that the CMSM/DSSAB where the new premises would be located has advised that an increase in the approved capacity for their service area is eligible for CWELCC funding before the ministry approves the revision request. For clarity, LHCC agencies that are not enrolled in CWELCC are not required to obtain CMSM/DSSAB approval before making a revision request.

Increases in capacity for LHCC agencies counts towards the region's Directed Growth Plan targets.

1.3.3 Targets

As per CWELCC, the proportion of not-for-profit licensed child care spaces for children aged 0 to 5 must be maintained at 70 per cent or increased by the end of the CWELCC agreement.

To ensure compliance with CWELCC, targets have been set for each CMSM/DSSAB regarding the proportion of not-for-profit new spaces created as part of the CWELCC space allocation:

- CMSMs/DSSABs where less than 90 per cent of their spaces are currently not-for-profit must maintain their rates in new spaces.
- CMSMs/DSSABs where 90 per cent or more of their current spaces are not-for-profit are permitted to reduce their current rate of not-for-profit new spaces to 90 per cent.

1.3.4 Non-participation

Licensees that have notified their CMSMs/DSSABs that they will not participate in CWELCC may continue to run their operations under the existing provincial licensing and regulatory framework. Licensees that do not participate will not receive CWELCC funding and may continue to set their own parent fees.

Licensees are required to indicate in their parent handbook that they are not participating in CWELCC and must include their fee amounts.

1.3.5 Declining an application

Amendments made under O. Reg.137/15 (s.77.3(2)) have expanded the reasons that CMSMs/DSSABs may decline a licensee's application for enrolment to:

- The CMSM/DSSAB believes the licensee is not financially viable or will not be operated in a manner that will be financially viable; or
- The CMSM/DSSAB believes the licensee will use the funding for improper purposes; or
- If the application for enrolment is submitted on or after January 1, 2023, and the program/space to be created is inconsistent with the CMSM's/DSSAB's child care and early years programs and services plan with respect to:

    (i) the demand for child care, and

    (ii) the capacity and locations of existing child care centres and premises where home child care is provided.

CMSMs/DSSABs may also decline applications for enrolment in CWELCC if the proposed new spaces do not align with:

- the CMSMs'/DSSABs' Directed Growth Plan; or
- auspice targets established by the ministry for each CMSM/DSSAB regarding the proportion of for-profit and not-for-profit new spaces created as part of the CWELCC space allocation.

CMSMs/DSSABs are required to report to the ministry within five business days all licensees whose applications have been declined and the rationale. CMSMs/DSSABs are encouraged to proactively contact the ministry at eyccd_denialcwelcc@ontario.ca before a funding decision is reached regarding a licensee.

1.3.6 Appeals

CMSMs/DSSABs are required to have a local dispute resolution process in place that is publicly posted to allow for licensees to bring forward issues regarding CWELCC eligibility and funding decisions.

1.4 COMMUNICATION REQUIREMENTS

All public announcements regarding provincial and federal investments in Ontario's child care and early years system are potential joint communication opportunities for the provincial government, federal government, school boards, the CMSM/DSSAB, municipalities and community partners.

Any such communications opportunities should remain confidential until they are announced publicly by the Province of Ontario and the Government of Canada (where applicable), or jointly by the provincial government, federal government (where applicable), and CMSMs or DSSABs.

CMSMs/DSSABs should refer to the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)* for instructions on managing public communications.

1.5 REPORTING REQUIREMENTS

CMSMs/DSSABs will be required to report to the ministry on the following data for licensee participation in CWELCC on a semi-annual basis. For 2024, the mid-year report must be submitted to the ministry by September 30, 2024 (for January 1 to June 30, 2024) and final report for the calendar year by February 28, 2025 (data for 2024 calendar year):

- Total number of spaces created in priority neighbourhoods and for priority populations as identified by CMSMs/DSSABs in their Directed Growth Plans broken down by age groups of child, auspice and type of setting
- Total number of net new spaces created for licensees who enrolled in CWELCC in 2024 broken down by age groups of child, auspice and type of setting
- Total number of net new spaces supported with start-up grants during the calendar year, broken down by age groups of child, auspice and type of setting
- Percentage of for-profit and not-for-profit spaces enrolled in CWELCC (for the purposes of CWELCC reporting, all licensed home child care spaces are considered not-for-profit).

CMSMs/DSSABs will be required to report to the ministry upon request and at least on a bi-monthly basis the following data for licensee participation in CWELCC, by auspice:

- Total number of licensees submitting an application to participate in CWELCC

- Total number of licensees that have signed a new CWELCC service agreement with the CMSM/DSSAB

Reports are to be submitted to the ministry at tpa.edu.EarlyLearning@ontario.ca.

1.5.1 Records of enrolment

For each CWELCC-enrolled licensee, CMSMs/DSSABs are required to maintain records of enrolment in electronic format (data and supporting documentation) and provide the following to the ministry upon request:

- Opt-in date for licensees who opted into CWELCC on or before December 31, 2022, or application date for licensees who applied to CWELCC on or after January 1, 2023
- Service agreement execution date (date of enrolment)
- Drop-out notice date (date the licensee expresses in writing desire to de-enrol), if applicable
- Rationale for de-enrolment, if applicable
- Service agreement termination effective date (date of de-enrolment), if applicable

SECTION 2: ACCOUNTABILITY

2.1 PURPOSE

The framework and parameters described in this section 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 (refer to Section 4: Fee Reduction and Section 6: Workforce Compensation for further information on eligibility).

2.2 REQUIREMENTS FOR CMSMS/DSSABS

CMSMs/DSSABs are being provided with a CWELCC allocation under a **transfer payment agreement with the province** to support base fee reductions for eligible children, workforce compensation, cost escalation, space creation and emerging issues in accordance with the requirements under these CWELCC Guidelines.

CMSMs/DSSABs are being funded to support licensed capacity:

- For centre-based licensees: number of licensed child care spaces (infant, toddler, preschool, kindergarten and family age group) as reported in the Child Care Licensing System as at December 31, 2022; plus

- For home-based agency licensees: number of eligible children enrolled in licensed home child care (0 to 5 years) as reported in the 2023 Child Care Operator Survey as at December 31, 2022; plus

- For the projected number of spaces to be enrolled in 2023 and 2024 as per Directed Growth Targets (communicated to CMSMs/DSSABs on May 24, 2023).

However, the ministry will withhold the difference between the CMSM's/DSSAB's fee reduction allocation at *full licensed capacity* and CMSM's/DSSAB's fee reduction allocation at assumed *targeted operating capacity*.

CMSMs/DSSABs have the flexibility to provide additional funding up to the licensee's targeted operating capacity where the CMSM/DSSAB determines a licensee's operating capacity changes. CMSMs/DSSABs may access their holdback to support enrolment up to full licensed capacity by demonstrating that space occupancy exceeds the assumed targeted operating capacity.

For clarity, CMSMs/DSSABs should allocate funding based on a licensee's current operating capacity. If the total of the funding allocated to licensees is greater than the CMSM's/DSSAB's allocation after adjusting for the holdback, the CMSM/DSSAB should submit a request to the ministry for approval to release their operating holdback using the appropriate template and provide supporting documentation.

The ministry reserves the right to adjust funding allocations during the year based on drop-out rates or major fluctuations in space assumptions.

CMSMs/DSSABs must:

- Provide funding with due consideration to operating capacity and enrolment changes of the licensee during the year, and work with new licensees to ensure adequate funding is provided.
- Fund new active child care premises from funding provided for projected spaces to enrol in 2024.
- Review diligently licensee's operating capacity, and consider the impact of short-term and long-term vacancies to variable costs, fixed cost, semi-fixed costs (such as staffing costs, where applicable). While short-term vacancies could be created from time to time when children are transitioning between spaces or rooms, spaces should be occupied most of the time where staff are available and there is demand for spaces. CMSMs/DSSABs should monitor waiting lists and long-term vacancies that remain unmitigated.
- Recover up to 52.75 per cent of the variable and semi-fixed costs avoided as a result of space vacancies and return to the ministry as part of the regular financial reporting process.
- Review the licensee's child care operations for eligible children for long-term vacancies that continue unfilled and provide fee reduction funding based on the licensee's operating capacity (as per the licensee's budget) or actual space occupancy.
- For newly enrolled licensees, provide funding only for the portion of the year between the enrolment date and December 31, 2024 (and ensure no funding is provided toward retroactive rebates).
- Ensure the base fees used for the calculation of fee reduction are the licensee's base fees that were frozen as of March 27, 2022.
- Ensure non-base fees and their associated costs are excluded when determining the funding to be flowed to enrolled licensees.
- Have policies and plans in place for the intake of applications and administration of funding to licensees participating in CWELCC.
- Have policies and procedures in place as part of their financial review and reconciliation process with licensees.
- Ensure funding provided to licensees as operating grants support CWELCC objectives.
- Recover any unspent funding provided to licensees during the funding year or funding not used for its intended purpose, and return it to the ministry.
- Reconcile and recover excess funding from a licensee upon termination of a service

agreement (where a previously enrolled licensee drops out of CWELCC).

- Maintain their existing municipal investments in child care (that is, CMSMs/DSSABs cannot use CWELCC funds to displace municipal spending on child care and early years programs and services that are already approved and in place for 2024).

- Continue to meet the requirements related to existing provincial and Ontario-Canada Early Learning and Child Care (ELCC) Agreement funding based on the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024).*

- Require audited financial statements from all child care licensees in receipt of CWELCC funding to enable the CMSM's/DSSAB's verification that the funding provided was used for the purposes intended.

- Work with licensees as part of their budgeting and forecasting process to ensure that appropriate funding will be provided to licensees to allow them to implement the requirements of CWELCC.

- Regularly review O. Reg. 137/15 to ensure they are aware of any updates made to the regulation so that they can continue to ensure compliance in support of the implementation of the fee reduction for licensees participating in CWELCC.

- Have **flexibility to use the funding provided from their CWELCC funding allocations** to support fee reductions, workforce compensation, cost escalation and emerging issues where needed. CMSMs/DSSABs must ensure that adequate funding is available to meet each specific objective.

- Keep **information collected** from licensees to support implementation to the minimum amount necessary to meet the reporting requirements outlined in these CWELCC Guidelines while ensuring financial accountability for public funds is maintained.

- Not support the following using excess CWELCC funding:
    - fee subsidies,
    - expenditures related to children aged 6 to 12 or other non-CWELCC-enrolled spaces, unless it is used to support workforce compensation for care of children aged 6 to 12 (refer to Section 6: Workforce Compensation),
    - lowering daily base fees beyond what is required under O. Reg. 137/15 or 'fee holidays',
    - additional administration funding for CMSMs/DSSABs beyond the specified administration allocation provided, or
    - expenditures related to additional funding provided to licensees other than for the purposes outlined in these guidelines (such as fee reduction, workforce compensation, cost escalation, emerging issues and start-up grants).

- Have policies and procedures in place, as part of the year-end financial review and reconciliation process with licensees, to **ensure that CWELCC funding was used to**

support the actual and eligible costs incurred by a licensee as per the requirements of this guideline; and may collect licensees annual attestations confirming CWELCC funds were used for the purposes intended and according to the requirements of these CWELCC Guidelines (including eligible costs under in Section 8: Emerging Issues).

- Have policies and procedures in place with licensees **to fulfill all reporting requirements to the ministry** and should take reasonable and progressively corrective actions where a licensee does not comply with reporting requirements.

Funding parameters and controls described above apply to all licensees (not-for-profit, for-profit, and directly operated by the CMSM/DSSAB).

2.2.1 Directly operated child care centres

CMSMs/DSSABs that directly operate child care centres are required to retain independent advice (for example, third-party services) and conduct a value-for-money audit on their direct delivery of child care services. To assist with retaining independent advice, CMSMs/DSSABs may choose to access Ontario’s Vendors of Record arrangements to acquire auditing services.

The purpose of the value-for-money audit is to determine whether federal and provincial funding is being used efficiently and effectively by directly operated centres, and whether the child care services could be more efficiently offered instead by a third-party provider. For clarity, the scope and parameters of these value-for-money audits will be established by the auditor who is conducting the audit.

The audit report, recommendations and management responses must be posted publicly. For clarity, as per the usual audit engagement process, CMSMs/DSSABs will be responsible for responding to findings and recommendations made by the auditor, including whether the recommendations will be implemented. The rationale for not accepting recommendations should be noted in the management response and posted publicly along with the audit report. Funding will not be withheld or adjusted based on the findings of the value-for-money audit; however, the ministry may follow-up on the implementation of the recommendations received and CMSMs’/DSSABs’ management responses.

At this time, the value-for-money audit for directly operated programs is a specific requirement for 2024, not an annual requirement. Licensed home child care agencies that are directly operated by CMSMs/DSSABs are not required to undergo a value-for-money audit at this time.

The cost of the value-for-money audit can be supported with CWELCC and regular provincial administration funding. CMSMs/DSSABs may also consider leveraging services from their internal audit groups or their municipal auditor general’s offices.

Key dates

CMSMs/DSSABs should aim to complete their value-for-money audits for directly operated child care services **by December 31, 2024**.

CMSMs/DSSABs may request, **by August 31, 2024,** extensions to the deadline to complete the value-for-money audit. The ministry may consider extending the deadline up to June 30, 2025. The extension request must be supported with sufficient documentation (that is, a reasonable audit plan, audit timelines, procurement of the auditor, etc.) demonstrating progress made to date and confirming that the audit report will be submitted to the ministry by June 30, 2025, at the latest.

CMSMs/DSSABs that have undertaken a similar value-for-money audit in the last five years (that is, since January 1, 2019) and believe the existing report addresses the purpose of the requirement stated earlier, must share a copy of the existing auditor report with the ministry **by June 28, 2024**. This deadline is to give the ministry an opportunity to confirm the report meets the objectives of the audit requirement and, if not, to allow the CMSM/DSSAB time to undertake a new audit.

- For VFM audits performed prior to March 2022, CMSMs/DSSABs must submit along with their report, an attestation confirming that nothing material has changed in the operations being audited and that the audit results would not materially differ if the audit were reperformed in 2024 (refer to Appendix E - Sample attestation form).

2.3 REQUIREMENTS FOR LICENSEES

To provide further clarity on funding to licensees, the purpose of CWELCC is not to limit or standardize a licensee’s current operations nor is it intended to come at a cost to licensees themselves, as enrolment in CWELCC should not require fundamental changes to program delivery.

The ministry understands that licensees’ cost structures may vary depending on the service and unique care being provided. As a result, CMSMs/DSSABs will provide funding to licensees that participate in CWELCC so they can continue to operate the portion of the child care program serving eligible children based on existing cost structures while reducing their base fees charged to parents/guardians.

For 2024, CWELCC funding is designed to fully offset the reduction in revenue from reduced base fees, while also improving compensation for eligible qualified workers, and recognizing cost escalation.

To ensure consistent financial management practices across all licensees, CMSMs/DSSABs should not provide funding to reduce base fees for eligible children in excess of what is required to meet the CWELCC initiatives.

CMSMs/DSSABs should follow this guidance as part of their funding framework with licensees:

- Licensees operating as **for-profit** corporations or individuals **can continue to earn profit** and licensees operating as **not-for-profit** corporations **are permitted a surplus** amount to build reserves or re-invest in the organization.

- Licensees may be subject to **cost escalation** that are beyond the control of the licensee (for example, rent increases) and this may impact their capacity to participate in CWELCC. As such, CMSMs/DSSABs will provide additional funding to all enrolled licensees, to support increasing costs beyond the revenue replacement. Refer to Section 7: Cost Escalation for further details.
- For 2024, the ministry is providing additional funding to support **emerging issues** to support non-discretionary cost increases above cost escalation. Refer to Section 8: Emerging Issues for further details.
- If required by their respective **CMSM/DSSAB**, licensees should submit an **annual attestation**, signed by an officer with appropriate signing authority (that is, director or equivalent), confirming that CWELCC funding has been used in accordance with its intended purpose, as outlined within the parameters provided by CMSMs/DSSABs. For clarity, this annual attestation does not replace the requirement for licensees to provide financial information and financial statements as described in the last paragraph of this subsection.
- If a program **charges fees to parents/guardians during a closure period**, a licensed child care program may not exceed two consecutive weeks of closure, and not more than four weeks of closure within a calendar year. Note, CMSMs/DSSABs have the discretion to further restrict the period of closure (that is, may not exceed 10 consecutive days) or to allow the calculation of closure days to be based on the school year as opposed to a calendar year, if the total number of days does not exceed the allowable amount as determined by the Province and the CMSM/DSSAB.

  For closures due to events outside a licensee's control (for example, a natural disaster/major weather event, pandemic, school board strike) the days of closure are not counted toward the closure limits set out above.
- If a program **does not charge fees for the closure period**, the days of closure do not need to be counted in the closure limits set out above. In accordance with O. Reg. 137/15, licensees must disclose in their parent handbook the times when the services are offered and the holidays observed, the base fee and any non-base fees that may be charged, and whether the licensee is enrolled in CWELCC.
- 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 CWELCC and must maintain the applicable base fee.
- If a licensee **sells substantially all its assets** and the purchaser obtains a new licence to operate a child care centre or a home child care agency, they will no longer be enrolled in CWELCC and would be treated as a new licensee entirely.
- Licensees must charge **base fees in accordance with O. Reg. 137/15** for newly issued licences described above under Cap on Fees (that is, set base fees at or below a regional maximum). Refer to O. Reg. 137/15 for further details.
- Licensees should apply to participate in CWELCC in accordance with the process set out by their CMSMs/DSSABs or notify their CMSMs/DSSABs and parents/guardians

that they do not wish to participate.

- Licensees in receipt of CWELCC funding must submit financial information, as well as audited financial statements to the CMSM/DSSAB to verify that the funding provided was used for the purpose intended.

2.4 REPORTING REQUIREMENTS

CMSMs/DSSABs will be required to report 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 (2024)*.

For each CWELCC funding initiative (that is, fee reduction, workforce compensation and cost escalation, emerging issues, start-up grants), CMSMs/DSSABs will be required to track and report on service data and expenditures using CWELCC funding, separately from the 2024 service data and expenditures using provincial and ELCC funding.

The ministry will require a separate tracking of CMSM/DSSAB expenses related to funding provided to licensees for cost escalation.

2.5 COMPLIANCE AUDITS

CMSMs/DSSABs will be required to undertake audits on a random sample of licensees in receipt of CWELCC 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/DSSAB.

Audit strategies for local implementation should be designed by independent auditors for directly operated programs and by CMSM/DSSAB for other programs, 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 CWELCC 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.

SECTION 3: ADMINISTRATIVE SPENDING GUIDANCE

3.1 PURPOSE

CMSMs/DSSABs are required to work with CWELCC-enrolled licensees to execute service agreements, flow and reconcile funds, and provide oversight to ensure that CWELCC objectives are met.

3.2 ELIGIBILITY

CMSMs/DSSABs have been allocated administration funding in their 2024 CWELCC funding allocation to support CWELCC administrative costs. The CWELCC administration allocation is in addition to the administration funding provided as part of the 2024 Ontario Child Care and EarlyON Child and Family Centres Service funding allocations.

CMSMs/DSSABs may use administration funding to support costs related to implementation, transition, reconciliation and IT costs associated with supporting CWELCC. Funding provided to support fee reduction & workforce compensation, emerging issues and start-up grants cannot be used to support CMSMs'/DSSABs' administrative costs.

Expenditures deemed reasonable and necessary for the provision of services supported by CWELCC funding are admissible in the calculation of the funding eligibility. For more information on eligible administrative spending, refer to the Administration Section of the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)*, which defines the range of administrative expenditures that are eligible for administration funding.

There are no administration cost sharing requirements on the CWELCC Administration Allocation.

Expenses incurred by a CMSM/DSSAB that do not directly support CWELCC administration are ineligible and include:

- Costs associated with administering regional quality assessment programs/tools
- Professional organization membership fees paid on behalf of staff

3.3 ACCOUNTABILITY REQUIREMENTS

The administrative expenditures must be supported by acceptable (auditable) documentation that is retained for a period of no less than seven years.

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

3.4 REPORTING REQUIREMENTS

CMSMs/DSSABs must track and report CWELCC administration expenditures separately from other child care administration funding for reporting purposes. CWELCC administration expenditures will be reported and monitored through financial submissions.

CMSMs/DSSABs must also report on the following administrative service data used to support CWELCC in their financial statement submissions:

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

Data and expenditures reported as part of administration in the child care core service delivery should not be reported as part of CWELCC.

SECTION 4: FEE REDUCTION

4.1 PURPOSE

Making child care more affordable for families is a key part of the implementation of CWELCC. CMSMs/DSSABs will work with child care licensees enrolled in CWELCC to provide operating grants for fee reduction for parents/guardians of eligible children.

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

- A base fee reduction of up to 25 per cent (to a minimum of $12 per day) for eligible children retroactive to April 1, 2022 - Achieved.
- A further base fee reduction of up to 37% to support a provincial average for eligible children of $23 per day, effective December 31, 2022 – Achieved.
- $10 per day average child care base fees for eligible children by September 2025.

The ministry is continuing the revenue replacement approach to support the implementation of the fee reduction that came into effect December 31, 2022. Funding for fee reductions should be provided by CMSMs/DSSABs in accordance with the examples provided in this section and in alignment with the accountability requirements set out in Section 2: Accountability.

4.2 ELIGIBILITY

4.2.1 Eligible children

Fee reduction funding supports the reduction of base fees for eligible children.

The parents/guardians of all eligible children receiving home child care at a premises overseen by an agency are eligible for the fee reduction (both agency-placed and privately placed).

4.2.2 Eligible and ineligible fees

Fees for children who are not eligible (that is, school-age children over the age of 6) are not eligible for CWELCC funding.

Base fees, as defined in O. Reg. 137/15, for eligible children are eligible for CWELCC funding. The regulation sets out rules regarding what licensees are permitted to charge parents/guardians as part of their daily base fee.

Non-base fees, as defined in O. Reg. 137/15, are not eligible for CWELCC funding and are not subject to reduction parameters set out in this section.

‘Fee holidays’ (that is, a period where parents/guardians pay no fees) are not eligible and must not be funded with CWELCC funding.

4.2.3 Cap on fees

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 premise that it oversees.

- 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 is the amount charged to parents/guardians of eligible children on March 27, 2022.
- If a licensee became licensed after March 27, 2022, the cap on the base fee for eligible children 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.

The regional maximum fees also apply to any new age groups of eligible children that a licensee begins operating after March 27, 2022 (for example, if they apply to revise their licence to add an infant room), or where a licensee begins operating an age group after March 27, 2022 that the licensee had not operated for at least two years (for example, 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.

Further, in accordance with O. Reg. 137/15, licensees continue to be subject to the capped fee until one of two conditions is met:

- The licensee notifies their CMSM/DSSAB in writing that they are not participating in CWELCC, or
- The licensee receives notice from the CMSM/DSSAB of the results of its application to enrol in CWELCC.

Note that the cap on fees does not apply to fees charged to parents/guardians for children who are not eligible, as these children are not eligible for funding under CWELCC.

4.2.4 Fee reduction eligibility

For 2024, fee reduction funding enables a 52.75 per cent reduction in base fees for eligible children relative to March 2022 levels. If the resulting base fee for eligible children is less than $12 per day, a $12 per day fee should be maintained.

> *Example 1: For a participating licensee whose fee for eligible children was $50 per day in March 2022, implementing the 25 per cent reduction in 2022 would have reduced their fee to $37.50 per day from April to December [$50 x (100%-25%)]. Starting December 31, 2022, the fee would be $23.63 per day. [$37.50 x (100%-37%)]*

> *Example 2: For a participating licensee whose fee for eligible children was $25 per day in March 2022, implementing the 25 per cent reduction in 2022 would have reduced their fee to $18.75 per day from April to December [$25 x (100%-25%)]. Starting December 31, 2022, the fee would be $12 per day, the minimum daily*

rate as a further 37% reduction would otherwise bring the rate below this level.

4.3 IMPLEMENTATION

4.3.1 Cap on fees

Regardless of the regional maximum fees set out in O. Reg. 137/15, CMSMs/DSSABs should determine whether the regional maximum fee is reasonable for new licensees who are subject to these maximums (for example, 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).

For home child care providers, until a decision on CWELCC participation is made by the home child care agency, fees for eligible children must be capped at March 27, 2022 levels. This includes fees set by the agency as well as fees set by the provider. While the cap on fees has been communicated publicly by the ministry, agencies may wish to inform providers of their obligation to cap fees for eligible children in accordance with the regulation and begin collecting fee information in preparation for the enrolment process.

4.3.2 Fee reduction calculation

To support the applicable fee reduction, CMSMs/DSSABs will provide funding for licensees. For an illustrative example of how this funding should be provided to licensees, see the table below.

	Prior to CWELCC Enrolment	***After Enrolment in 2022*** *(once base fees were reduced by 25%)*	***Effective December 31, 2022*** *(fees are further reduced by 37%)*
Base fee charged to parents/guardians for eligible children	*$100*	*$75*	*$47.25*
CWELCC funding to offset the revenue reduction to licensees	*N/A*	*$25*	*$52.75*
Total revenue received by licensee	*$100*	*$100*	*$100*

CMSMs/DSSABs and licensees must continue to ensure that the applicable fee reduction is in place.

For clarity:

- No funding should be provided towards a 25 per cent rebate that was provided to parents/guardians of eligible children before January 1, 2023.
- Licensees enrolled on or after December 31, 2022 will be required to reduce their capped base fees for eligible children by 52.75 per cent, and funding should be provided accordingly.

Newly enrolled licensees should only receive eligible funding starting the date of enrolment and with due consideration to operating capacity (for example, occupancy increases over time). CMSMs/DSSABs are expected to work with licensees as part of their budgeting and forecasting process to ensure that adequate funding is provided to licensees to allow them to implement the requirements of CWELCC.

The fee reduction on base fees for eligible children applies regardless of program type or duration and should be based on the total amount paid per day. In the case of a before and after school program, if parents/guardians of an eligible child pay for only before school care, or only after school care, each individual fee must be reduced by an additional 37 per cent on top of their already reduced fees from 2022 (per the examples above) provided that the fee does not go below $12 per day. If these parents/guardians instead pay for both before and after school care, the overall combined fee must be reduced by the additional 37 per cent based on their already reduced fees in 2022. For example:

	Before CWELCC (per day)	***After Enrolment in 2022*** *(once base fees were reduced by 25%)*	***Effective December 31, 2022*** *(fees are further reduced by 37%)*
Before School Care Only	*$12*	*Stays at $12*	*Stays at $12*
After School Care Only	*$14*	*Reduced to $12*	*Stays at $12*
Before and After School Care (as a single fee)	*$26*	*Reduced to $19.50*	*Reduced to $12.29*

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

Licensees are also required to reduce the cost of full-fee spaces that are occupied by eligible children receiving fee subsidies. Refer to Section 5: Fee Subsidy – Parental Contribution for further details.

Once licensees are enrolled in CWELCC and reduce their fees for eligible children to the new base fees, they are required to maintain their reduced base fees until they are either required to reduce them again, or they are no longer participating in CWELCC.

4.4 ACCOUNTABILITY REQUIREMENTS

CMSMs/DSSABs must monitor licensees’ compliance with fee reduction requirements.

4.5 REPORTING REQUIREMENTS

As part of the regular reporting processes and timelines as described in the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)*, CMSMs/DSSABs are required to report expenditure and service data to the ministry on expenditures that support fee reduction.

Service data required for fee reduction funding includes the following:

- Number of eligible children served through fee reductions (exclude fee subsidy children).
- Average monthly number of children served through fee reductions provided by age group (that is, infant, toddler, preschool, etc.), excluding fee subsidy children.
- Number of licensed child care spaces supported with fee reduction by age group, including full fee spaces occupied by eligible children receiving subsidies.
- Number of licensees supported with fee reduction funding.

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

SECTION 5: FEE SUBSIDY – PARENTAL CONTRIBUTION REDUCTION

5.1 PURPOSE

Fee subsidy is an essential support for many families that enables eligible parents/guardians to participate in the workforce or pursue education or training. The ministry has made amendments to O. Reg. 138/15 to ensure that parents/guardians accessing subsidized child care also see financial relief under CWELCC, through a reduction in their parental contributions.

As CWELCC 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 (called the "parental contribution").

5.2 ELIGIBILITY

No changes have been made to eligibility for access to fee subsidies for recipients of Ontario Works, including Learning, Earning and Parenting (LEAP) participants and Ontario Disability Support Program (ODSP) recipients in approved employment assistance activities.

Access for fee subsidy recipients to the parental contribution reductions depends on whether the eligible child is enrolled with a licensee that is participating in CWELCC.

5.3 IMPLEMENTATION

To ensure an equitable fee reduction is applied to families receiving child care fee subsidy (who do not pay the full cost of a licensed child care space), amendments were made under O. Reg. 138/15, which require CMSMs/DSSABs to reduce the parental contribution for eligible children (as defined under O. Reg. 137/15 (General)) by 50 per cent (with no floor of $12 for families receiving subsidy).

If a parent/guardian has at least one eligible child, as defined in O. Reg. 137/15 (General), who receives care from a licensee that is enrolled in CWELCC, their CMSM/DSSAB is to reduce the parental contribution amount calculated via the income test for any child care provided on or after December 31, 2022, as follows:

$$\mathbf{A \div B \times C \times 0.50}$$

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 licensee that has enrolled in CWELCC, that the parent/guardian is required to pay a parental contribution for.

Example: If a fee subsidy family has two children aged 7 and 4, the 50 per cent parental contribution reduction would only apply to the 4-year-old as the 7-year-old is not an eligible child. The 50 per cent reduction would then be reduced by half, as it only applies to one of the two children.

As noted in Section 4: Fee Reduction, licensees are required to reduce the cost of full-fee spaces that are occupied by eligible children receiving fee subsidies. CWELCC fee reductions may be reduced by less than 50 per cent due to the $12 per day floor. However, fee subsidy recipients will benefit from a full 50 per cent parental contribution reduction as the $12 per day floor does not apply.

CMSMs/DSSABs are required to calculate the parental contribution reduction for eligible fee subsidy parents/guardians and reduce parental contribution amounts accordingly.

Eligible fee subsidy parents/guardians will not see a reduction in parental contribution in cases where their children occupy spaces with a licensee that is not enrolled in CWELCC.

Example: The base fee for a space is $100 prior to CWELCC enrolment. The space is paid with a parental contribution of $30 and a fee-subsidy funded by the Province of $70.

On December 31, 2022, the base fee decreases from the reduced fee of $75 [$100 X (100%-25%)] in 2022 by an additional 37 per cent to $47.25 [($75 X (100%-37%)] (see table 1 below). The licensee continues to receive $100 in base fee for the space; the parental contribution decreases to $15 in 2023, the fee subsidy funded by the Province in 2024 will be $32.25, and CWELCC funding covers the $52.75 decrease in the base fee (see table 2 below).

Table 1	**Prior to CWELCC Enrolment**	**Effective December 31, 2022** (fees are further reduced by 37% from 2022 level)
Cost of space (base fee charged to fee paying parents/guardians)	$100	$47.25
CWELCC funding to offset the revenue reduction to licensees	-	$52.75
Total revenue received by licensee	**$100**	**$100**

Table 2	Prior to CWELCC Enrolment	**Effective December 31, 2022** (parental contribution is reduced by 50% relative to value prior to enrolment)
Parental contribution	$30	$15 = $30 x (100%-50%)
CWELCC funding to offset the revenue reduction to Licensees (see table 1 above)	-	$52.75 = ($100 x 52.75%)
Fee subsidy – Provincial funding (see parameters below)	$70	$32.25 = $100 - $52.75 - $15
Total revenue received by licensee	**$100**	**$100**

As a result of the fee reduction, 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.

Provincial funding used to support fee subsidies must not exceed the **2024 Fee Subsidy Threshold**, which is calculated as the greater of:

- 50 per cent of the CMSM's/DSSAB's total 2019 fee subsidy expenditure for children aged 0 to 5 years old, or
- The corresponding expenditures associated with the number of fee subsidy children aged 0 to 5 years old, based on the CMSM's/DSSAB's contractual service targets in their 2024 transfer payment agreement.

The ministry provides each CMSM/DSSAB with an overall fee subsidy target for children aged 0 to 12 years old. Based on that target, CMSMs/DSSABs can determine the split between children aged 0 to 5 years old and 6 to 12 years old based on local needs and demographic changes.

To respond to identified fee subsidy needs, CMSMs/DSSABs have discretion to approve new fee subsidies pertaining to new service agreements, for children aged 0 to 5 years old, if projected fee subsidy costs are at or below the 2024 Fee Subsidy Threshold.

5.4 REPORTING REQUIREMENTS

As part of the regular reporting processes and timelines as described in the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)*, CMSMs/DSSABs are required to report on service data to the ministry as indicated below:

- Number of children served through the reduction of parental contributions by type of setting (that is, centre or home- based) and by auspice (that is, not-for-profit, for-profit, or directly operated by the CMSM/DSSAB).

SECTION 6: WORKFORCE COMPENSATION

6.1 PURPOSE

Workforce compensation funding supports recruitment and retention of Ontario's child care workforce through improved compensation for lower-wage earners. It includes compensation enhancements for registered early childhood educator (RECE) staff (annual wage and wage floor increases) and support to licensees for non-RECE staff (minimum wage offset).

Increases to the wage floor and wage eligibility ceiling for 2024 came into effect January 1, 2024, as part of the implementation of the Workforce Strategy announced on November 16, 2023.

6.2 ELIGIBILITY

Where a licensee is participating in CWELCC 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.

Workforce compensation funding should not interfere with a licensee's salary and compensation decisions or practices, including obligations under collective agreements.

6.2.1 Alignment with Wage Enhancement Grant (WEG)

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

To qualify for workforce compensation increases under CWELCC, licensees will be required to apply for WEG on behalf of eligible staff. WEG funding will be added to the base wage of staff when considering eligibility for the wage floor and annual wage increase.

6.2.2 Eligible licensees

The Ministry of Education funds the portion of the workforce compensation allocation which is used for compensation for staff in licensed child care programs serving children aged 6 to 12, who are ineligible to apply for participation in CWELCC, to ensure equity of wages across staff serving different age groups, and to avoid these increases being passed onto parents/guardians through higher fees.

Licensees must be enrolled in CWELCC to access workforce compensation funding and will be required to adhere to all the parameters of the CWELCC System. CWELCC-enrolled licensees are eligible for workforce compensation funding from their enrolment date up to and including December 31, 2024.

Licensees with programs serving exclusively children who are not eligible may apply separately to the CMSM/DSSAB for workforce compensation funding. Licensees that are not CWELCC-enrolled are eligible for workforce compensation funding from the date the

CMSM/DSSAB approves their application up to and including December 31, 2024.

6.2.3 Eligible and ineligible positions

<u>Annual wage and wage floor increases</u>

To be eligible to receive annual wage and wage floor increases, staff must be RECE staff employed by an eligible licensee (as per above) and be in one of the following positions ("eligible RECE staff"):

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

For clarity, the annual wage and wage floor increases do not apply to non-RECE program staff and non-program staff such as a:

- Cook, custodial or other non-program staff position;
- SNR-funded resource teacher/consultant or supplemental staff; and
- Staff person hired through a third party (for example, a temp agency).

However, non-program staff who are RECEs and whose positions require them to spend at least 25% of their time supporting ratio requirements under O. Reg. 137/15 are eligible for annual wage and wage floor increases for the hours that they are supporting ratio requirements.

Program staff, child care supervisors, or home child care visitors that are director-approved to be employed in these positions, but do not have a RECE designation, are not eligible for the wage floor or annual wage increase supported by workforce compensation funding.

<u>Minimum wage offset</u>

To be eligible for the minimum wage offset, eligible licensees must employ staff in the following positions ("eligible non-RECE staff"):

- 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 eligible non-RECE staff in positions that were earning:

- below $15.50 per hour immediately before October 1, 2022 (not including WEG funding); and/or
- below $16.55 per hour immediately before October 1, 2023 (not including WEG funding)

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

- Cook, custodial and other non-program staff position;
- SNR-funded resource teacher/consultant or supplemental staff; and
- Staff person hired through a third party (for example, a temp agency)

However, eligible licensees can receive minimum wage offset funding for non-RECE staff in non-program positions that require them to spend at least 25% of their time supporting ratio requirements under O. Reg. 137/15. Minimum wage offset funding is provided to the licensee for the hours these staff spend supporting ratio requirements.

6.2.4 CWELCC annual wage increase and wage eligibility ceiling

CMSMs/DSSABs must provide eligible licensees with funding to support annual wage increases for eligible RECE staff earning (including WEG) less than the wage eligibility ceiling for that year.

Effective each January 1 from 2023 to 2026, CWELCC-enrolled licensees must increase the hourly wage of eligible RECE staff whose wages (including WEG) fall below the wage eligibility ceiling for the year. For clarity, to receive the annual wage increase for 2024, eligible RECE program staff must be receiving WEG funding, and their hourly wage including WEG on December 31, 2023 must be below $26 per hour. For eligible RECE child care supervisors and RECE home child care visitors, their hourly wage including WEG on December 31, 2023 must be below $29 per hour.

Wage eligibility ceilings for 2022 through 2026 are set out in the table below.

The CWELCC annual wage increase is up to $1 per hour plus benefits, compounded year-over-year, up to the wage eligibility ceiling. That is, an eligible RECE staff would receive up to a $1 per hour increase in 2023, up to $2 per hour increase in 2024, and so on, up to the wage eligibility ceiling set for the year.

Annual wage increase funding is tied to the position and not the individual staff. This means that all eligible RECE staff can receive up to $2 per hour wage increase funding for 2024, whether those RECE staff are continuing in their existing eligible positions, newly filling an existing eligible position, or filling a newly created eligible position.

The new wage eligibility ceiling for 2024 came into effect on January 1, 2024.

Wage Eligibility Ceiling 2022 to 2026*	2022	2023	2024	2025	2026
RECE Program Staff	$25.00	$25.00	$26.00	$27.00	$28.00
RECE Child Care Supervisors or RECE Home Child Care Visitors	$25.00	$25.00	$29.00	$30.00	$31.00

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

For clarity, the wage eligibility ceiling is not a wage cap, but rather the maximum wage that can be reached using Workforce Compensation funding for that year. Licensees can choose to increase eligible RECE staff wages above the wage eligibility ceiling (that is, using other sources of funding for increases beyond the ceiling).

Benefits should not be included when calculating the hourly wage. Refer to section 6.2.7

for additional examples.

6.2.5 CWELCC wage floor increase

Each year from 2023 to 2026, CMSMs/DSSABs must provide eligible licensees funding to support wage floor increases for eligible RECE staff.

Eligible licensees are required to bring the wage of all eligible RECE staff up to the wage floor of the given year as identified in the table below. All new, eligible RECE staff hired during the year must earn at least the wage floor identified for the applicable year, plus corresponding benefits.

For 2024, the wage floor for RECE program staff is $23.86 per hour plus benefits, and the wage floor for RECE child care supervisors and RECE home child care visitors is $24.86 per hour plus benefits.

The new wage floor for 2024 came into effect on **January 1, 2024**.

Hourly Wage Floor 2022 to 2026*	2022	2023	2024	2025	2026
RECE Program Staff	$18.00	$19.00	$23.86	$24.86	$25.86
RECE Child Care Supervisors or RECE Home Child Care Visitors	$20.00	$21.00	$24.86	$25.86	$26.86

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

6.2.6 Order of operations

To determine annual wage and wage floor increase eligibility, licensees must follow this order of operations:

1. Base wage by employer (includes any employer-based wage improvements such as obligations from collective agreements and minimum wage increases);

2. WEG ($2 per hour, up to a maximum of $30.59 per hour as per the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline, 2024*);

3. CWELCC annual wage increases of $1 per hour, compounded year over year, up to the wage eligibility ceiling for the year; and

4. CWELCC incremental amount to reach the wage floor, if applicable.

Example: RECE wage calculation for staff with a base wage of $19.50 per hour as at December 31, 2023. Assumes a base wage increase of 2.1% in 2024.

Year	***Base Wage per hour (A)***	***WEG (B)***	***CWELCC Annual Wage Increase (C)***	***CWELCC Incremental Wage Floor Increase (D)***	***New Wage* (A+B+C+D)***
2023	*$19.50*	*$2*	*$1*	*$0*	*$22.50*

Year	***Base Wage per hour (A)***	***WEG (B)***	***CWELCC Annual Wage Increase (C)***	***CWELCC Incremental Wage Floor Increase (D)***	***New Wage* (A+B+C+D)***
2024	*$19.50X1.021=* *$19.91*	*$2*	*$1+$1***	*$0*	*$23.91*

*In addition to the hourly wage, staff are required to receive benefits.
**$1 per hour compounded for two years ($1 per hour from 2023 and $1 per hour from 2024).

Additional examples

These examples illustrate the order of operations for RECE program staff. The same order of operations with different thresholds for wage floor and wage eligibility ceiling apply for RECE child care supervisors and RECE home child care visitors.

Example 1: An RECE program staff whose base wage immediately before January 1, 2024 was $22.50 per hour.

The enhanced wage is $26 per hour: $22.50 per hour (base wage) +$2 per hour (WEG) + $1.50 per hour (CWELCC annual wage increase) + $0 per hour (CWELCC incremental wage floor funding) = $26 per hour.

In this case, the CWELCC incremental wage floor funding is not required because the enhanced wage is already above the 2024 wage floor. The CWELCC annual wage increase is $1.50 per hour (which is lower than the compound amount of $2 per hour) because the enhanced wage reached the eligibility ceiling at $26 per hour.

Example 2: An RECE program staff is newly hired in 2024 in an existing eligible position, with a base wage of $17 per hour.

The enhanced wage is $23.86 per hour: $17 per hour (base wage) + $2 per hour (WEG) + $2 per hour (CWELCC annual wage increase) + $2.86 per hour (CWELCC incremental wage floor funding) = $23.86 per hour (2024 wage floor).

In this case, the CWELCC incremental wage floor funding is required because the enhanced wage is below the 2024 wage floor. The CWELCC annual wage increase is $2 per hour because the enhanced wage had not reached the eligibility ceiling at $26 per hour.

Example 3: An RECE program staff is hired in 2024 in a newly created eligible position, with a base wage of $20.50 per hour.

The enhanced wage is $24.50 per hour: $20.50 per hour (base wage) + $2 per hour (WEG) + $2 per hour (CWELCC annual wage increase) + $0 per hour (CWELCC incremental wage floor funding) = $24.50 per hour.

In this case, the CWELCC incremental wage floor funding is not required because the enhanced wage is already above the 2024 wage floor. The CWELCC annual wage increase is $2 per hour because the enhanced wage had not reached the eligibility ceiling at $26 per hour.

6.2.7 Minimum wage offset

As of October 1, 2023, minimum wage legislation requires licensees to bring the wages of their staff to at least $16.55 per hour. To offset the cost of minimum wage increases for eligible licensees, CMSMs/DSSABs are required to provide minimum wage offset funding to licensees to cover the incremental amount needed to bring wages for eligible staff from $15.00 to $16.55 per hour.

To offset the cost of increasing minimum wage for an eligible non-RECE position that earned $15 per hour in 2022, the minimum wage offset funding would be cumulative up to $1.55 in 2024 (that is, $16.55 per hour minus $15 per hour).

Minimum wage offset funding is tied to the position and not the individual staff. This means that licensees can receive minimum wage offset funding of up to $1.55 for eligible non-RECE staff in eligible positions in 2024, whether those staff are continuing in their existing position, newly filling an existing eligible position, or filling a newly created eligible position.

It is understood that licensees could have used other sources (for example, cost escalation funding, parent/guardian fees) to fund wage increases beyond minimum wage (such as across-the-board or merit increases). In these cases, the minimum wage offset funding would equal the remaining amount required to bring such wage to $16.55 (that is, $1.55 minus wage increases provided by the licensee in addition to minimum wage increases).

Example: A licensee who employs an eligible non-RECE staff in March 2022 who earns minimum wage ($15 per hour) and uses cost escalation funding to provide annual increases (above the minimum wage) as follows:

As of October 1, 2022, the minimum wage increased to $15.50
As of January 1, 2023, the base wage increased 2.75% to $15.93 (wage increased $0.43)
As of October 1, 2023, the minimum wage increased to $16.55
As of January 1, 2024, the base wage increased 2.1% to $16.90 (wage increased $0.35)

In 2024, the licensee would be eligible to receive minimum wage offset of $1.12 per hour ($16.55 minus $15.00 minus $0.43 = $1.12). The licensee would cover the rest of the wage increase with cost escalation funding ($0.43 and $0.35).

As of	*Base Wage*	*WEG*	*Wage after enhancements*
January 1, 2022	*15.00*	*2*	*17.00*
October 1, 2022	*15.50*	*2*	*17.50*
January 1, 2023	*15.50X1.0275= 15.93*	*2*	*17.93*
October 1, 2023	*16.55*	*2*	*18.55*

As of	*Base Wage*	*WEG*	*Wage after enhancements*
January 1, 2024	*16.55X1.021= 16.90*	*2*	*18.90*

To offset minimum wage increases that occurred prior to March 2022 (when the fees were frozen) or any that may occur after October 1, 2023, licensees should use cost escalation funding (refer to Section 7) or CMSMs/DSSABs may approve the licensee's use of emerging issues funding (refer to Section 8).

For clarity, the minimum wage offset funding to support the minimum wage increase to $15.00 per hour is no longer provided through minimum wage offset. Since the minimum wage increase to $15 per hour occurred before fees were frozen, the $15 per hour minimum wage increase should either be covered through existing base fees, fee reduction funding, cost escalation, or through emerging issues funding (if frozen fees did not reflect the increase in minimum wage).

6.2.8 Benefits

CWELCC funding includes up to 17.5 per cent in benefits to support licensees in meeting their statutory benefit requirements and additional benefits provided by the licensee (17.5 percent includes up to two weeks of vacation and nine statutory days).

Statutory benefit requirements are benefits licensees are required to provide their staff as determined by legislation (for example, vacation days or statutory holidays) or obligations the licensee has as an employer (for example, Canada Pension Plan or Employment Insurance contributions, or Employer Health Tax).

Once all statutory benefit requirements are met, any remaining funding within 17.5 per cent can be used to fund other benefit expenses paid by the employer.

6.2.9 Wage increases above workforce compensation requirements

The ministry is providing funding for an overall cost escalation, which can be used to support general wage increases, including increases above the CWELCC annual wage increase of $1 per hour, wage increases of non-RECE staff, and wage increases of RECE staff whose salaries are at or above the wage eligibility ceiling.

6.3 IMPLEMENTATION

CMSMs/DSSABs must:

- Develop a method to determine annual wage, wage floor and minimum wage offsets, and allocation of 17.5 per cent for benefits, within their region.
- Develop an application process to enroll eligible licensees for workforce compensation funding (which could mirror current WEG funding processes).
- Adhere to the workforce compensation funding parameters detailed above.
- Manage public inquiries related to workforce compensation. To manage these

inquiries, CMSMs/DSSABs may wish to post information regarding workforce compensation along with contact information on their website.
- Direct workforce compensation funding to licensees to increase wages and benefits of their eligible RECE staff.
- Must provide any retroactive payments due to licensees to support the implementation of the wage floor and wage eligibility ceiling changes that came into effect January 1, 2024. Ensure retroactive payments are paid to licensees on or before 30 calendar days from the date the CMSM/DSSAB receives their workforce compensation allocation to support the increased wage floor and wage eligibility ceiling.

Eligible licensees must:

- Share information, in writing with eligible staff, about changes to the wage floor and wage eligibility ceiling that came into effect January 1, 2024. At a minimum, the information about wages must include the wage floor, wage eligibility ceiling, and compounded annual wage increases for each year up to and including 2026, as well as an example of the order of operations for calculating wages.
- Ensure eligible RECE staff receive wages (and retroactive payments, if applicable) consistent with the workforce compensation changes that came into effect on January 1, 2024 within 32 calendar days of receiving funding allocations for this purpose.
- Seek independent legal advice on implementing the wage floor and annual wage increase if they are subject to the terms of a collective agreement.
- 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.
- Consider workforce compensation in addition to, and not to reduce other, planned compensation increases for eligible staff. For example, the annual wage increase and wage floor cannot be used to reduce or offset planned merit increases for eligible staff.

In addition, eligible licensees newly enrolled in CWELCC must:

- Ensure workforce compensation requirements are in place and wages are paid to eligible staff accordingly on or before 32 calendar days after the service agreement with the CMSM/DSSAB is signed (the enrolment date).
- Ensure any retroactive payments related to workforce compensation requirements are paid to eligible staff on or before 30 calendar days after the service agreement with the CMSM/DSSABs is signed (the enrolment date).
- Share information, in writing, about the wage floor, annual wage increase, and wage eligibility ceiling with eligible staff upon receiving confirmation of enrolment in CWELCC from their CMSM/DSSAB and as new staff are hired. The information must provide eligible staff with an understanding of upcoming changes to their wages resulting from the workforce compensation funding. At a minimum, the information about wages must include the wage floor, wage eligibility ceiling, and

annual wage increases for each year up to and including 2026.

6.4 ACCOUNTABILITY REQUIREMENTS

CMSMs/DSSABs must monitor licensees' compliance with communication and payments to staff of annual wage and wage floor increase requirements to ensure licensees are using CWELCC funding as per these guidelines.

6.5 REPORTING REQUIREMENTS

CMSMs/DSSABs must 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 CWELCC. 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 annual wage increase
- 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 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 annual wage increase paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately
- 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 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
- Actual total expenditure, by staffing category, on benefits paid out to RECE program staff, RECE supervisors, and RECE home child care visitors
- Actual total expenditure, by staffing category, on benefits paid out to licensees for non-RECE program staff, non-RECE supervisors, and non-RECE home child care visitors
- Number of child care centres or sites supported by the annual and/or wage floor increase
- Number of child care centres or sites supported by the minimum wage offset
- Number of home child care agencies receiving funding for annual wage and/or wage floor increase
- Number of home child care agencies receiving funding for minimum wage offset

All data requirements noted above must be reported by all licensees and separately for staff serving eligible children and children who are not eligible under CWELCC but can still receive workforce compensation funding.

If a staff member 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 eligible children, and time spent serving children aged 6 to 12 who are not eligible under CWELCC.

SECTION 7: COST ESCALATION

7.1 PURPOSE

The ministry has included funding of approximately $235 million in the 2024 allocations to support cost increases since March 2022 (when fees were frozen) that licensees may face that are beyond the licensee's control that may impact their capacity to participate in CWELCC.

7.2 ELIGIBILITY

Licensees can only use the cost escalation funding to address operating cost increases beyond the control or discretion of the licensee, such as salaries and wages, benefits, operations and accommodations.

Newly enrolled licenses are only eligible for cost escalation funding applicable to the portion of the year between the enrolment date and December 31, 2024.

7.3 IMPLEMENTATION

CMSMs/DSSABs must provide cost escalation funding to licensees as follows:

$$(A \times B \times C \times 4.91\%) + (D \times 2.1\%)$$

Where,

A is:

- for centres, the number of eligible licensed child care spaces as of December 31, 2023. For new licensees, this represents the number of eligible licensed child care spaces as of the enrolment date; or

- for home child care, the number of eligible children enrolled as of December 31, 2023. For new licensed home child care agencies, this represents the number of eligible children enrolled on the date of CWELCC-enrolment with consideration to changes in enrolment during the year

B is the capped daily base fees (that is, as of March 27, 2022 for licensees enrolled in 2022 and licensees who opted out in 2022 and enrol in 2023, or regional maximum for new licensees enrolled in 2022 or 2023)

C is the number of days the licensee operates in a year

4.91% is the cost escalation factor necessary to bring the capped daily base fees from 2022 to 2024 (that is, [1.0275 x 1.021] – 1)

D is the licensee's General Operating Grant for 2023, including the respective 2.75% cost escalation provided in 2023, to support children aged 0 to 5 years old only, where applicable

7.4 ACCOUNTABILITY REQUIREMENTS

CMSMs/DSSABs must have policies and procedures in place, such as review of budgets, costs trends, and operating expenses, to help them assess whether costs are within the licensee’s control or discretion.

7.5 REPORTING REQUIREMENTS

As part of the regular reporting processes and timelines as described in the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)*, CMSMs/DSSABs are required to report on total expenditure used to support cost escalation to the ministry.

SECTION 8: EMERGING ISSUES

8.1 PURPOSE

The purpose of the emerging issues funding is to support licensees in addressing non-discretionary cost pressures. Through these guidelines and reporting mechanisms, the ministry aims to ensure consistent, transparent, accountable, and effective utilization of the emerging issues funding.

8.2 ELIGIBILITY

CWELCC-enrolled licensees can use funding exclusively for addressing non-discretionary cost pressures (that is, those beyond the licensee's control).

Costs are eligible if they are:

- Legitimately (properly and reasonably) incurred for child care delivery (that is, required by a licensee to provide care under the *CCEYA* and its regulations or, if above the regulated requirements, not an optional service);
- Necessary, economical, and with due regard for health and safety;
- Non-discretionary (i.e., cost(s) that the operator must incur, such as arms-length cost increases, requirements to meet health and safety needs or legislative/regulatory obligations); and
- Incurred in relation to the provision of child care for eligible children. Where child care is also provided to ineligible children (such as children aged 6 to 12), costs must be prorated using a method that is reasonable, in the opinion of the CMSM/DSAAB.

Costs are not eligible if they are:

- Incurred for the creation of new spaces (as those may be eligible under start-up grant funding);
- Discretionary (i.e., costs that are not necessary to incur, such as increasing staffing ratio above current levels, disbursement of dividends, payment of performance bonuses, increases in owners' compensation, in-kind benefits or perks, or replenishment of reserves);
- Supported by other government funding; or
- Related to:
    - non-cash expenses such as amortization expenses or bad debt expenses;
    - repayment of reverse mortgages; or
    - prior years' costs or losses

Examples of eligible costs:

- Costs incurred for daily operations such as increases in wages per collective agreement provisions, accommodation cost increases (such as rent or mortgage payments due to higher interest rates);
- Non-recurring costs such as those incurred to repair or replace physical assets (such as kitchen appliances or HVAC equipment for centres), which are necessary to maintain regular operations;

- Financing costs for loans that support non-recurring eligible costs and third-party mortgages. Eligible financing costs should be reasonable (for example, they align to the Canada Small Business Financing Program rates); and
- Audit costs, as audited financial statements are contractual stipulations of the CWELCC service agreement.

8.3 IMPLEMENTATION

CMSMs/DSSABs are required to implement a fair and transparent process (such as through an application) to allocate this funding to licensees who demonstrate that their revenue for eligible spaces (including routine funding, fee reduction, wage enhancement, workforce compensation, cost escalation and parent fees) is insufficient to support the licensees' non-discretionary costs.

CMSMs/DSSABs should seek to allocate known cost pressures eligible for emerging issues funding (for example, rent increases) **by January 31, 2024**, ideally upon their review of the licensees' 2024 operating budgets and may continue to review and allocate funding to licensees throughout the year, where funding flexibility permits.

8.4 ACCOUNTABILITY REQUIREMENTS

In designing its process to allocate funding, CMSMs/DSSABs must consider that taxpayer dollars are to be used prudently and responsibly with a focus on accountability, transparency, and consistency, and that costs must support child care delivery for eligible children.

To help provide stability, CMSMs/DSSABs must prioritize (but not limit) approval of emerging issues funding to licensees:

- whose operating non-discretionary expenses for eligible spaces exceed their corresponding revenue from all sources,
- who demonstrate that other options (such as implementing efficiencies, other government funding) do not cover their eligible costs, and
- who demonstrate their financial viability (this means, the licensee has a clear and sustainable financial plan to manage unexpected and non-discretionary costs without compromising ongoing operations).

CMSMs/DSSABs approval of emerging issues funding should abide by the following principles:

- fairness and equity (that is, treat licensees in similar situations in a similar fashion),
- timeliness (that is, within 45 days of receipt of a completed application),
- value-for-money, risk management and evidence-based assessment,
- compliant with the CWELCC principles and requirements of the CWELCC guidelines,
- able to stand up to scrutiny by auditors and the ministry, and
- transparent (that is, properly explained and documented).

8.5 REPORTING REQUIREMENTS

8.5.1 Early year reporting

The ministry is seeking to gain an early understanding of uptake of this component of the program. CMSMs/DSSABs must report funding commitments by **February 5, 2024** (using the latest available information) as per below. Timeliness in reporting will inform the ministry assessment of the sector's emerging issues cost, which will inform strategies to support program sustainment (for example, in finalizing a cost-based funding formula).

The *Emerging Issues Report* (refer to Appendix C) will be comprised of:

I. Funding requirements forecast (reflecting the expected timing of disbursement to licensees), which will help the ministry assess:
   a) commitments to licensees (that is, amounts eligible, approved and communicated to licensees)
   b) eligible amounts in excess of the CMSM's/DSSAB's emerging issues allocation (that is, amounts the CMSM/DSSAB is unable to approve but which are otherwise eligible)
   c) other known or likely pressures for which the CMSM/DSSAB has received no application

II. Copy of the CMSM's/DSSAB's internal policy and process supporting the approval of funding (such as, licensees' applications) for emerging issues funds, which will help the ministry assess implementation, and

III. Assessment Questionnaire – CMSM's/DSSAB's Decision Making Process, which will help the ministry assess the CMSM's/DSSAB's diligence in reviewing the emerging issues funding requests from licensees.

8.5.2 Other reporting

CMSMs/DSSABs will be required to report on total expenditures supporting emerging issues as part of 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 (2024)*.

The ministry may request additional reports regarding approved funding to date later in the year.

SECTION 9: START-UP GRANTS

9.1 PURPOSE

Ontario's Action Plan for implementing CWELCC includes developing a framework for targeted space creation and providing funding for start-up grants to support the creation of new, affordable child care spaces for eligible children in targeted locations and for populations most in need.

Start-up grants will support directed growth by enabling space creation in neighbourhoods that have had historically lower rates of space availability that may not be accommodated through natural growth.

9.2 ELIGIBILITY

In keeping with the ministry's commitment to support all licensees regardless of auspice, for-profit and not-for-profit child care licensees who are enrolled in CWELCC are eligible to apply for start-up grants.

Funding for start-up grants is available to support the creation of new licensed child care spaces approved for enrolment in CWELCC in alignment with the CMSM's/DSSAB's Directed Growth Plan.

To access funding for start-up grants, CMSMs/DSSABs require a commitment from the licensee to:

- Remain enrolled in CWELCC for the remainder of the current CWELCC agreement (this means until March 31, 2026);
- Spend the start-up grant funding within two years from the date the service agreement between the licensee and the CMSM/DSSAB is executed; and
- Prioritize the creation of and access to new licensed full-day child care spaces for children 0 to 4 years old in communities with vulnerable children and children from diverse populations, including, but not limited to, children living in low-income families, children with disabilities and children needing enhanced or individual supports, Indigenous children, Black and other racialized children, children of newcomers to Canada, and official language minorities.

Capital projects for licensed child care programs for kindergarten and school-aged children and before and after school programs are not eligible for start-up grants funding.

Start-up grants must fund projects required for child care facilities to be created, retrofitted, renovated, or expanded to accommodate a maximum group size for each age grouping for eligible children.

CMSMs/DSSABs may enter into service agreements with licensees to flow start-up grant funding, regardless of head office location.

Eligible centre-based applicants can receive a grant of up to $350,000 for every 20 child care spaces created. Eligible home child care licensees can receive grants of up to $1,200 per CWELCC space created, to a maximum of $7,200 per provider. These amounts are retroactive to January 1, 2024.

9.2.1 Eligible expenses

Eligible expenses for licensed child care centres include:

- Play materials, equipment, and furnishings (both indoors and outdoors) as outlined in Section 19 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*.
- Non-consumable supplies/equipment to support the ongoing regular operation of the child care program (for example, appliances, IT, supplies to support learning environments while adhering to health and safety requirements).
- Renovations, additions, or repairs to licensed child care facilities or potential child care facilities as approved by CMSMs/DSSABs.
- Changes to outdoor play space that are required as a result of the expansion of child care spaces in the centre so that the licensee continues to comply with Section 24 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*. Funding to cover the costs incurred to make outdoor play space changes are subject to the overall project cap of $350,000 per 20 child care spaces created.
- Leasehold improvements.

Eligible expenses for home child care licensees:

- Play materials, equipment, and furnishings (both indoors and outdoors) as outlined in Section 27 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014* that can be transferred between home child care licensees as required.

Ineligible expenses:

- Purchase of land or buildings
- Debt costs, including principal and interest payments related to capital loans, mortgage financing, and operating loans
- Property taxes
- Expenditures related to care of children aged 6 to 12
- School-based child care spaces
- Indoor and outdoor renovations, additions or repairs to home child care licensee premises or potential home child care licensee premises.

9.3 IMPLEMENTATION

Licensees must apply for start-up grants from the CMSM/DSSAB where the proposed new spaces are located.

9.3.1 Application process

CMSMs/DSSABs must establish an equitable and transparent process for licensees to apply. The application process must capture details on how the projects will improve access to licensed child care in communities with vulnerable children and children from diverse populations including:

- children living in low-income families
- children with special needs
- Indigenous children
- Black and other racialized children
- children of newcomers to Canada
- Francophone children

The start-up grant funding application must include an estimated date for the creation of the new licensed full-day child care spaces, and this date should be within two years of the date of the application. The ministry has created a sample application form (refer to Appendix D) that is intended to assist CMSMs/DSSABs in their administration of the start-up grant application process. CMSMs/DSSABs are not required to use this sample application and may wish to consult with their legal counsel to obtain legal advice on the application or the administration process.

When approving applications for start-up grants, CMSMs/DSSABs should consider:

- cost effectiveness
- available operating funding
- capacity of program to access funds through other means
- program budget and financial history
- child care licensing history
- current licensed and operational capacity
- age groups (serving primarily eligible children and prioritizing the creation of full-time spaces)
- long-term viability
- investment in quality programming.

9.3.2 Home child care agency expansion

Home child care agency licensees may apply for start-up grants through the CMSM/DSSAB where the proposed new home child care premises will be located. If the home child care agency licensee is seeking to expand (that is, add new approved home child care premises in excess of their existing licensed capacity for a given service area), the licensee must request a revision to their licence in the Child Care Licensing System (CCLS).

Prior to the ministry reviewing, the request will be sent to the CMSMs/DSSABs associated with the home child care premise(s). Once the CMSMs/DSSABs have endorsed the increase in capacity, the ministry will proceed with reviewing and processing the revision request.

For clarity, prior to receiving start-up grant funding, home child care agency licensees must receive written confirmation from the respective CMSMs/DSSABs that the proposed new home child care premises align with their Directed Growth Plans/service system plans and are eligible to receive CWELCC funding.

9.3.3 Applicants whose floor plans are pending ministry approval

At their discretion, CMSMs/DSSABs may provide conditional approval of start-up grants to applicants whose floor plans are pending ministry approval, and for which the CMSMs/DSSABs have confirmed CWELCC eligibility (refer to Section 1: Participation).

CMSMs/DSSABs should consider legal and risk management implications of conditional approvals to service agreements and abide by ministry requirements regarding the development of service agreements for start-up grants below.

9.3.4 Service agreements

Upon approval of the start-up grant application, CMSMs/DSSABs must enter into a service agreement with the licensee. Funding is not considered committed and must not be flowed to applicants until there is a fully executed service agreement.

Service agreements for start-up grants between CMSMs/DSSABs and home child care licensees must include a commitment from the home child care licensee to maintain the number of approved child care spaces in the service area for the duration of the CWELCC agreement, even if the home child care licensee or capacity of home child care licensee changes prior to March 31, 2026.

If the licensee withdraws from CWELCC or ceases their operations, CMSMs/DSSABs must recover the start-up grant funding and return to the ministry as part of regular financial reporting processes.

9.3.5 Managing start-up projects

Where projects continue into the following year (that is, beyond the year of the expected completion date), CMSMs/DSSABs may continue to fund using the following year's start-up grant allocation, where available.

Wherever possible, CMSMs/DSSABs should provide funding to licensees on demonstrated cash needs, and minimize large advance lumpsum payments. For example, CMSMs/DSSABs could provide funding on milestones such as 20% of the approved funding upon execution of the service agreement, 50% upon confirmation of receipt of construction permits, 20% upon confirmation of structural framing for renovations or additions, and 10% upon confirmation of a child care centre opening for business.

CMSMs/DSSABs must ensure licensees complete work and use the start-up grant funding on or before December 31 of the year when the project was to create the new licensed child care spaces. For example, licensees with a service agreement referring to a project set for completion by November 30, would have until December 31 to complete the work and use the funds provided.

9.4 ACCOUNTABILITY REQUIREMENTS

CMSMs/DSSABs must track and report start-up grant expenditures separately from other CWELCC and child care administration.

CMSMs/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 related to start-up grants.

Should the applicant fail to use funding in accordance with the terms and conditions of their purchase of service agreement, CMSMs/DSSABs must have policies and procedures in place as part of their financial review and reconciliation process related to the recovery of funds.

9.4.1 Unused funding

Any funding provided to licensees during the funding year that remains unspent by the end of the project term (on or before December 31 of the year that the project was targeted for completion), or funding was not used for its intended purpose, it must be recovered by the CMSM/DSSAB. This could also include withholding payments or reduce funding to a licensee when the licensee does not meet the obligations related to the use of the funding.

CMSMs/DSSABs have until December 31 of the funding year to enter into service agreements that will commit funds to licensees. By December 31, if an application is still pending full execution of the service agreement, without exception, funding will be considered uncommitted and must be returned to the ministry.

As part of the regular annual financial reporting process, CMSMs/DSSABs will return to the ministry any funding that was:

- Not committed to licensees by December 31
- Committed but not paid to licensees by December 31 of the year when the project was supposed to complete
- Recovered from licensees who withdrew from CWELCC, ceased operations prior to March 31, 2026, or used funds on ineligible expenses

9.5 REPORTING REQUIREMENTS

As part of the regular reporting processes and timelines described in the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024)*, CMSMs/DSSABs are required to report financial and service data.

Financial data required for start-up grants include the following figures as at December 31:

- Funding commitments entered during the year
- Disbursements made on prior year commitments
- Disbursements made on current year commitments
- Funding recovered on prior year commitments from applicants who withdrew from CWELCC, ceased operations prior to March 31, 2026, or used funds on ineligible expenses (amount to be returned to the ministry)
- Funding recovered on current year commitments from applicants who withdrew from CWELCC, ceased operations prior to March 31, 2026, or used funds on ineligible expenses (amount to be returned to the ministry)
- Funding committed but not paid to applicants by December 31 of the year when the project was supposed to complete (amount to be returned to the ministry)
- Funding commitments completed during the year (that is, fully completed projects)
- All expenditure requirements must be submitted by type of setting (centre- or home-based), and by auspice (for-profit, not-for-profit)

Service data required for start-up grants includes the following:

- Number of net new licensed child care spaces supported with start-up grants by age group (infant, toddler, preschool)
- Number of net new licensed child care spaces supported with start-up grants broken down by auspice (for-profit, not-for-profit)
- Number of net new licensed child care spaces supported with start-up grants by type of setting (child care centre, home child care)

APPENDIX A: CWELCC FUNDING ALLOCATIONS TECHNICAL PAPER

Ministry of Education

CWELCC Funding Allocations: Technical Paper 2024

PURPOSE

To support greater transparency for system users, this paper contains details of the underlying formulae and criteria used in calculating the 2024 Canada-wide Early Learning and Child Care (CWELCC) funding allocations to CMSMs/DSSABs.

OVERVIEW

CWELCC funding includes four main funding allocations: fee reduction and workforce compensation, start-up grants, emerging issues and administration. An adjustment for cash-flow realignment offsets the 2024 allocations.

Funding for cost escalation is included in both compensation and non-compensation elements through all the fee reduction and workforce compensation, and administration allocations.

Total CWELCC Funding Allocations (revised)		**Funding $ million**
Fee reduction & workforce compensation	Base funding (enrolled spaces as of December 31, 2022)	$1,743
	2023 Directed Growth	$119
	2024 Directed Growth	$66
	Additional operating capacity holdback	$186
	Workforce Strategy – wage enhancement	$44
Emerging issues funding		$98
Start-up grants		$161
CWELCC administration		$28
2024 Canada-wide Early Learning and Child Care Allocation*		**$2,444**
Less: Adjustment for cash flow realignment		($161)
2024 Canada-wide Early Learning and Child Care Allocation – after adjustment		**$2,283**

* Numbers may not add up due to rounding.

FEE REDUCTION & WORKFORCE COMPENSATION

Funding for base spaces

The fee reduction and workforce compensation allocation for base funding (spaces as of December 31, 2022) includes two components: fee reduction allocation and workforce compensation allocation. This allocation totals **$1,743 million**.

Fee Reduction

The fee reduction allocation supports parents/guardians, families and communities by reducing base fees for eligible children in participating licensed child care programs up to 52.75 per cent (to a minimum of $12 per day).

The following data elements are used to calculate the fee reduction base funding component of the CWELCC allocation:

Fee Reduction Data Elements	Source
Parent fees for eligible children	2022 Licensed Child Care Operations Survey (as of March 31, 2022)
Number of centre-based licensed child care spaces (infant, toddler, preschool, kindergarten and family age group)	Child Care Licensing System (as of December 31, 2022)
Number of eligible children enrolled in licensed home child care	2023 Licensed Child Care Operations Survey (as of December 31, 2022)
Number of operating child care spaces (infant, toddler, preschool, kindergarten and family age group)	Child Care Mini-Survey (as of December 31, 2022)
Projected number of new enrolled child care spaces for 2023 and 2024	Directed Growth Targets (communicated to CMSMs/DSSABs on May 24, 2023)

A compounded cost escalation factor was integrated into the provincial-level 2024 fee reduction funding calculation by increasing the March 2022 average parent fees and the existing government child care grants for eligible children by about 4.91% (that is, 2.1% for 2024 in addition to 2.75% for 2023). The provincial level 2024 fee reduction funding is the cost of buying down the inflated average daily parent fee to $23.

The formula and descriptions below allocate funding to CMSMs/DSSABs in two steps:

1. The provincial-level 2024 fee reduction funding envelope is calculated through the CWELCC costing model at the provincial level, for CWELCC-enrolled spaces as of December 31, 2022.

2. The fee reduction formula is applied at the operator level and rolled up by CMSM/DSSAB. Then, the provincial-level fee reduction funding envelope is allocated proportionally as per the roll-up amounts and adjusted for CMSM/DSSAB-specific assumed targeted operating capacity. The assumed targeted operating capacity is calculated as operating capacity as of December 31, 2022 plus 2/3 of the difference between licensed and operating capacity by operator, where applicable.

For **centre-based child care**, 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 child care spaces, the fee reduction is determined as described below:

2022 Parent Fee	Fee Reduction Formula
If the parent fee reached $12 in 2022	• The fee reduction cost is equal to the cost escalation only (no fee reduction): [2022 parent fee x 4.91%] x number of licensed child care spaces
If the parent fee did not reach $12 in 2022	• If the parent fee reaches the floor after further reduction, the fee reduction cost is the difference between the inflated fee and the $12 floor: [2022 parent fee x 1.0491 - $12 floor] x number of licensed child care spaces • If the parent fee does not reach the floor after further reduction, the fee reduction cost is the parent fee reduction plus the cost escalation: [(2022 parent fee x 52.75%) + (2022 parent fee x 4.91%)] x number of licensed child care spaces

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, kindergarten and family age group. 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.

For **home-based child care**, the fee reduction formula follows the same approach as the centre-based formula. Enrolment 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 enrolment is treated the same as the kindergarten age group in centre-based child care as described above regarding before and after school fee versus full-day fee; however, all homes are assumed to operate year round.

The funding for home-based child care was allocated to CMSMs/DSSABs based on the location of the head office of the home child care agency.

Workforce compensation

The workforce compensation allocation supports wages of RECE staff. For 2024, funding is being provided to support a wage floor and an annual wage increase for eligible RECEs working in licensed child care settings, to a maximum of $25 per hour.

For 2024, funding is also being provided for non-RECE staff to cover the increased minimum wage that came into effect October 1, 2023, and therefore support the $18.55 per hour existing wage floor ($16.55 per hour minimum wage plus $2 WEG funding).

The workforce compensation component of the CWELCC allocation for 2024, for child care spaces in CWELCC-enrolled licensees as of December 31, 2022, was derived by the following:

- Assume a uniform distribution within each wage bracket.
- For each bracket below the cap of $25 per hour, calculate:
  - The average wage for the bracket x number of staff in the bracket to bring them up to the floor, for those making under the floor; and
  - Up to $1 per hour increase (compounded for 2023 and 2024), for those making more than the floor.

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

Workforce Compensation Data Elements	Proportion	Source
Number of RECE program staff that have wages under $25 per hour	87%	2023 Licensed Child Care Operations Survey
Number of RECE supervisors and home visitors that have wages under $25 per hour	8%	2023 Licensed Child Care Operations Survey
Number of Non-RECE program staff and supervisors that have wages under $18.55 per hour	5%	2023 Licensed Child Care Operations Survey

Funding to support 2023 Directed Growth

The fee reduction and workforce compensation allocation for new spaces expected to enrol in 2023 as per Directed Growth Targets totals **$119 million** and was allocated as follows:

$$\frac{A}{B} \text{ x } C$$

Where,

A is the 2024 fee reduction and workforce compensation allocation for base spaces

B is the assumed targeted operating capacity as of December 31, 2022

C is the number of spaces in the 2023 Directed Growth Plans

Funding to support 2024 Directed Growth

The fee reduction and workforce compensation allocation for new spaces expected to enrol in 2024 as per Directed Growth Targets totals **$66 million** and was calculated and allocated as follows:

$$\frac{A}{B} \text{ x C x } 50\%$$

Where,

A is the 2024 fee reduction and workforce compensation allocation for base spaces plus the fee reduction and workforce compensation allocation for 2023 directed growth

B is the assumed targeted operating capacity as of December 31, 2023

C is the number of spaces in the 2024 Directed Growth Plans

50% to reflect that spaces open throughout the year and do not all require funding for 12 months

Workforce Strategy – wage enhancement

The fee reduction and workforce compensation allocations (base funding, 2023 and 2024 Directed Growth) were adjusted to include additional workforce compensation for the increase to the wage floor and wage eligibility ceiling that came into effect January 1, 2024, as part of the Workforce Strategy announced November 16, 2023.

The additional workforce compensation allocation totals **$44 million** for 2024 and was distributed proportionally by type of staff (that is, program staff, supervisor and home child care visitor), and assuming a uniform distribution of wages within each wage bracket:

Additional workforce compensation data elements	Proportion	Source
For each wage bracket: Number of RECE program staff x (estimated 2024 average wage with new wage floor and ceiling, minus estimated 2024 average wage with original wage floor and ceiling)	91.2%	2023 Licensed Child Care Operations Survey

Additional workforce compensation data elements	Proportion	Source
For each wage bracket: Number of RECE supervisors and home child care visitors x (estimated 2024 average wage with new wage floor and ceiling, minus estimated 2024 average wage with original wage floor and ceiling)	8.8%	2023 Licensed Child Care Operations Survey

The additional workforce compensation funding supports both base funding spaces as well as directed growth spaces. Therefore, the additional workforce compensation allocations have been proportionally split between base funding and directed growth based on the split of original workforce compensation allocations released in November 2023.

Additional 2024 Operating Capacity Holdback

This amount covers costs of program take-up that exceeds the assumed targeted operating capacity, up to the full licensed capacity.

The allocation for fee reduction and workforce compensation for additional operating capacity holdback totals **$186 million** and was allocated at the CMSM/DSSAB-level as the difference between each CMSM's/DSSAB's fee reduction allocation *at full licensed capacity* and their fee reduction allocation *at assumed targeted operating capacity*.

EMERGING ISSUES FUNDING

The emerging issues funding supports licensees in addressing non-discretionary 2024 cost pressures. The amount to be allocated is **$98 million** and is allocated per the split below:

Amount	Emerging Issues Funding Data Elements	Source
$2.5 million	Allocated to the CMSM/DSSAB where the known pressure is as per the location of the 13 centres in government-owned buildings.	Ministry of Infrastructure
$95.75 million	Allocated proportionally based on the sum of 2024 Fee Reduction and Workforce Compensation for Base Funding, Directed Growth and Operating Capacity Holdback.	2024 CWELCC Allocations

START-UP GRANTS

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

To inform the 2024 funding allocations, the ministry collected from CMSM/DSSAB multi-year uptake forecast by early September 2023. The multi-year forecasts were used to determine the split between home-based and centre-based spaces that each CMSM/DSSAB is intending to support using start-up grants. The split was applied, by CMSM/DSSAB, to their 2024 and 2025 community space targets in their respective Directed Growth Plans. In the 2024 start-up grant allocations all of the 2024 community space targets and 50% of the 2025 community space targets were included. The ministry allocated, as per the start-up grants program guidelines, up to $1,200 for home-based spaces and up to $9,000 for centre-based spaces to determine the funding allocations for start-up grants.

Using the method described above, the ministry allocated **$161 million** for start-up grants.

CWELCC ADMINISTRATION

The CWELCC administration allocation is intended to support CMSMs/DSSABs with administrative capacity to implement the goals of the CWELCC.

The allocation for CWELCC administration totals **$28 million** for 2024 and is comprised of the following components:

Administration Allocation Data Elements	Benchmark
Base allocation for each CMSM/DSSAB	$65,600 x (1+17.5% benefits) x (1 + 4.91% cost escalation) = $80,863
Number of Licensed Child Care Spaces as of December 31, 2022 per Child Care Licensing System (infant, toddler, preschool, kindergarten and family age group)	$69.84 per space
Home Child Care Enrolment of eligible children as of December 31, 2022 per 2023 Child Care Operator Survey	$69.84 per enrolment
Projected number of new enrolled child care spaces for 2023 and 2024 per Directed Growth Targets	$69.84 per space or enrolment

ADJUSTMENT FOR CASH FLOW REALIGNMENT

The adjustment is made to realign the allocation to the cash payment in 2024 calendar year and will be applied from January to December.

This amount is a reduction of **$161 million** that represents the fee reduction and workforce compensation funding allocation portion of the December 2023 payment to cover January 2024 expense at 100% (that is, not adjusted for the 5% holdback).

APPENDIX B: CWELCC FUNDING TIP SHEET

This tip sheet is intended to provide tips to CMSMs/DSSABs to assist them in allocating CWELCC funding to the licensees that have chosen to participate in their regions.

General Tips

- Refer to the CWELCC Funding Allocations Technical Paper (Appendix A) for details on how funding was allocated to CMSMs/DSSABs.
- CMSMs/DSSABs can leverage the Province's allocation methodology to allocate funding to licensees where appropriate.

Fee Reduction

- Retain licensees' information on base fees as of March 27, 2022 for eligible children as licensees are required to maintain their child care fees at this rate (the 2022 fee frozen rate).
    - Families must see a fee reduction of 52.75 per cent of the base fee frozen as of March 27, 2022 to a floor of $12 per day.
    - The fees of new licensees that enrol in CWELCC will be capped based on regional maximums. These new licensees will be required to reduce their capped fee by 52.75 per cent, which represents the equivalent percentage reduction where a licensee reduces their capped fee by 25 per cent in 2022 and by a further 37 per cent starting December 31, 2022.
    - The fee reduction calculation <u>should not</u> include cost escalation. The cost escalation amounts should be provided separately based on Section 7: Costs Escalation.
- Retain licensees' information on operating capacity as of December 31, 2023, and compare the total with the CMSMs/DSSABs assumed targeted operating capacity provided by the ministry.
    - As a best practice, CMSMs/DSSABs should fund licensees based on the licensee's 2024 operating capacity.
    - The assumed targeted operating capacity is meant to generally provide flexibility within the CMSMs'/DSSABs' allocations.
    - In the case where the licensee's operating capacity changes, CMSMs/DSSABs will have the flexibility to provide additional funding up to the licensee's licensed capacity within their 2024 CWELCC allocation.
- Contact the ministry for the release of the holdback if the aggregate operating capacity of licensees is higher than the assumed targeted operating capacity.

Workforce Compensation

- Gather information from licensees on their number and type of staff working in each centre, their wages, and estimated hours they will work January to December 2024.
- Allocate funding for the wage floor and annual wage increase according to the following order of operations:

1. Base wage by employer (includes any employer-based wage improvements such as obligations from collective agreements and minimum wage increases),
2. WEG ($2 per hour, up to a maximum of $30.59 per hour as per the *Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2004)*,
3. CWELCC annual wage increases of $1 per hour, compounded year over year, up to the wage eligibility ceiling for the year,
4. CWELCC incremental amount to reach the wage floor.

- Funding has been provided to offset the minimum wage increase for eligible non-RECE staff that took effect in October 2023.

Cost Escalation

- Provide cost escalation amounts amount to all enrolled licensees. Refer to Section 7: Cost Escalation for details.
    - The funding is to be provided on the capped daily base fees, number of days the licensee operates in a year as well as the licensee's General Operating Grant to support children 0 to 5 years old only.
    - Licensees can only use the cost escalation funding to address operating cost increases beyond the control or discretion of the licensee, such as salaries and wages, benefits, operations and accommodations.

Emerging Issues

- Refer to Section 8: Emerging Issues, including the reporting requirements, and develop a process that meets the ministry expectations with respect to due diligence for reviewing the merit of the requests. The process should preferably be tied to the review of the licensees' budgets.
    - As CMSMs/DSSABs review licensees' budgets for operating capacity, operating days, etc., CMSMs/DSSABs could collect information about new non-discretionary financial pressures (such as increases in rent or wage increases due to collective agreement provisions).
- Gather all information in emerging issues as you gather information necessary to allocate 2024 funding to licensees.
- Review pressures and prioritize using the criteria provided in Section 8: Emerging Issues.
- Allocate or provide emerging issues funding in addition to revenue replacement and cost escalation to licensees.
- Prepare the *Emerging Issues Report* included in Appendix C (due on February 5, 2024).

APPENDIX C: EMERGING ISSUES REPORT (DUE FEBRUARY 5, 2024)

I. Funding requirements forecast

Expected timing of disbursement to licensees	Jan-Mar	Apr-Dec	Total
a) Commitments to licensees (that is, amounts eligible, approved and communicated to licensees)	XX	XX	**Sum**
b) Eligible amounts in excess of the CMSM/DSSAB's emerging issues allocation (that is, amounts the CMSM/DSSAB is unable to approve but which are otherwise eligible)	XX	XX	**Sum**
c) Other known pressures for which the CMSM/DSSAB has received no application (such as contingency)	XX	XX	**Sum**
Total	**Sum**	**Sum**	**Sum**

II. Copy of CMSM/DSSAB's internal policy and process supporting the approval of funding (such as licensees' applications) for emerging issues funds.

III. Assessment Questionnaire - CMSM/DSSAB's Decision Making Process

1. Explain how the CMSM/DSSAB confirms the validity of licensees' requests for emerging issues funding (for example, that they meet the eligible use criteria, including the condition of the purpose of the funds being used for non-discretionary cost increases)?
2. Explain the process the CMSM/DSSAB is using to prioritize the licensee requests and ensuring its approvals abide by the principles of:
    a. fairness and equity (that is, treat licensees in similar situations in a similar fashion),
    b. timeliness (that is, within 45 days of receipt of a valid application),
    c. value-for-money, risk management and evidence-based assessment,
3. What criteria is the CMSM/DSSAB using to ensure funding is allocated to licensees with proven financial viability?
4. Explain how CMSM/DSSAB is documenting internal decisions on emerging issues funding approvals and communicating to licensees such decisions.

APPENDIX D: SAMPLE APPLICATION FORM FOR START-UP GRANTS

Start-up grants support the creation of new licensed full-day child care spaces for children under age six in targeted regions for underserved communities and populations. High need populations include vulnerable children, children from diverse populations, children with special needs, and Indigenous and Francophone communities. Applications for Start-up grants are assessed against the directed growth plan for ___________ [CMSM/DSSAB name] by enabling space creation in neighbourhoods that have had historically lower rates of space availability that may not be accommodated through natural growth.

For-profit and not-for-profit licensed child care licensees enrolled in the CWELCC system are eligible to apply for Start-up grants.

Start-up grants can be used to offset the initial costs required to expand or create spaces such as equipment and leasehold improvements. The grants support community-based space expansion projects and prioritize the creation of new licensed full-day child care spaces for children aged 0-4. Start-up grants may be used for retrofits, renovations or expansion projects, but cannot be used to purchase land or buildings. Space expansion projects for child care programs that run during school hours for kindergarten and school-aged children are ineligible for Start-up grants.

This sample application contains five sections:

1. Child Care Licensee Basic Information
2. Child Care Licensee Site Information
3. Proposed Expenditures
4. Anticipated New Spaces
5. Funding Request Details.

Section 1: Child Care Licensee Basic Information

Licensee Name:	**Application Date:** *yyyy-mm-dd*
Child Care Centre or Licensed Home Child Care Agency (LHCCA) Name:	**Licence Number:**
Licensee Street Address:	**City:**
Type of Licensee: *Please check one.* ☐Corporation ☐Individual	**Auspice:** *Please check one.* ☐Not-for-profit ☐For-profit
Contact Name: *First, Last*	**Position Title:**
Business Telephone Number:	**Business Email:**
Type of Program (if applicable): *Please check all that apply.* ☐Indigenous (off-reserve) ☐Francophone	

Section 2: Child Care Licensee Site Information

Site name:	
Site address:	
Licensed capacity:	
Operating capacity:	
For centres, number of Rooms:	
For LHCCAs, number of	

provider homes:	

Section 3: Proposed Expenditures

Total Amount Requested:	

Description of Expenses (select all that apply):

Eligible expenses for licensed child care centres:

☐Play materials, equipment, and furnishings (both indoors and outdoors) as outlined in Section 19 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*.

☐ Non-consumable supplies/equipment to support the ongoing regular operation of the child care program (for example, appliances, IT, supplies to support learning environments while adhering to health and safety requirements).

☐Renovations, additions or repairs to licensed child care facilities or potential child care facilities as approved by CMSMs/DSSABs.

☐Changes to outdoor play space that are required as a result of the expansion of child care spaces in the centre so that the licensee continues to comply with section 24 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*. Funding to cover the costs incurred to make outdoor play space changes are subject to the overall project cap of $350,000 per 20 child care spaces created.

☐Leasehold improvements.

Eligible expenses for home child care licensees:

☐Play materials, equipment, and furnishings (both indoors and outdoors) as outlined in Section 27 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*.

Anticipated date of project completion (must be within 2 years of this application):

List project milestones and corresponding cash requirements by approximate date:

Milestone	**Approximate Date**	**Amount ($)**
1.		
2.		
3.		
4. (add as many rows as needed)		
Total - Sum of all amounts must equal Total Amount Requested:		

Section 4: Anticipated New Spaces

Age Group	**Number of Spaces**
Infant (Younger than 18 months)	
Toddler (18 months or older but younger than 30 months)	
Preschool (30 months or older but younger than 6 years)	
Kindergarten (44 months or older but younger than 7 years)	
Family Age Grouping (Schedule 4)	
Total	

Section 5: Funding Request Details

Please include a brief description of how this capital project will create additional licensed full-day child care spaces for one or more of the following groups:

- children living in low-income families
- children with special needs
- Indigenous children
- Black and other racialized children
- children of newcomers to Canada

• Francophone children

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].

Authorized Signing Officer Name: *First, Last*	**Signature:**	**Date:** *yyyy-mm-dd*

APPENDIX E: SAMPLE ATTESTATION FORM

With respect to value-for-money requirements referenced in section 2.2.1 Directly operated child care centres, CMSMs/DSSABs requesting that the ministry consider previously undertaken value-for-money audits performed after January 1, 2019, but prior to March 2022, must submit an attestation confirming that no material changes have been made, either operationally or financially, to the delivery of the directly operated child care program and that the audit results would not materially differ if the audit were performed in 2024.

The attestation must be signed by two CMSM/DSSAB officers with delegated signing authority and submitted to the ministry **by June 28, 2024** with a copy of the existing report.

Sample attestation:

> I hereby attest that no material changes have been made, either financially or operationally, to the child care program operated by the <name of CMSM/DSSAB> since the attached value-for-money audit was performed on <date of value-for-money audit report>.
>
> Therefore, as far as I am aware, there is no reason that the results of a 2024 value-for-money audit would differ from the previous audit in any material way.

______________________	______________________
Name	Name
Title	Title
Date	Date