



Committee Report

CEYD-24-06

To: Chair and Members of the Joint Social Services and Land Ambulance Committee
From: Mandy Koroniak, Director of Children's Early Years
Date: Wednesday, September 11, 2024
Subject: **New Child Care Funding Approach and Incremental 2024 Canada-Wide Early Learning and Child Care Administrative Funding**

Background:

Since implementation of the Canada-Wide Early Learning and Child Care (CWELCC) System began in 2022, enrolled licensed child care programmes have been funded through an approach that included 3 main components:

- **Fee Reduction:** Revenue replacement funding to support the costs of fee reduction for eligible children.
- **Workforce Compensation:** Compensation enhancements for eligible Registered Early Childhood Educators (RECEs) and minimum wage offset supports to child care operators for eligible non-RECE staff.
- **Cost Escalation:** Funding to support operating cost increases beyond the control or discretion of the child care operator.

On April 5, 2023, the Ministry of Education released a consultation paper to Service System Managers, child care operators, and school boards, outlining the conceptual framework for a new CWELCC child care funding formula. The paper noted that the funding formula will streamline and replace all existing child care grants, including general operating and wage enhancement grants. The Ministry additionally conducted surveys with child care operators to inform the new CWELCC funding formula.

Update:

On August 15, 2024, the new CWELCC Cost-Based Funding Guideline, effective January 1, 2025, was released to the sector by the Ministry of Education. Additional details on the next parent fee reduction, further changes to the funding of the licensed child care sector, preliminary 2025 child care funding allocations, and incremental 2024 CWELCC administrative allocations were also shared at this time.

CWELCC Cost-Based Funding Guideline

The CWELCC Cost-Based Funding Guideline provides operating costs for child care operators participating in CWELCC for the delivery of child care to children from birth to age 5, and is guided by the following principles:

- **Transparent:** Clear and consistent approach, both locally and across Service System Managers so that child care operators know what to expect from Service System Managers.
- **Representative:** Funding is responsive to how child care is delivered in Ontario and based on the true costs of providing child care to eligible children.
- **Simple:** Easy to understand with minimal administrative burden.

- **Accountable:** Cost control structures and safeguards ensure accountability for and equitable distribution of public funding.

The approach provides a programme cost allocation to child care operators using benchmark-based allocations with adjustment factors to account for geographic variances, growth top-ups for new spaces or top-ups for existing child care operators whose legacy cost structures exceed their benchmark allocation, and amounts in lieu of profit or surplus.

To ensure cost containment and the proper use of public funds, Service System Managers will be required to reconcile cost-based funding allocated to child care operators with actual eligible costs at the end of the year, select a subset of child care operators for Direct Engagements to Report on Compliance, and perform cost reviews of the most disproportionately high top-up allocations.

Local Priorities

Beginning in 2025, Service System Managers will also receive local priorities allocations to support licensed child care programmes through:

- General Operating Grants (for ages 6-12);
- Wage Enhancement Grant (WEG)/Home Child Care Enhancement Grant (HCCEG) and CWELCC Wage Enhancements, including those under the Workforce Strategy (for ages 6-12);
- Workforce Strategy – Professional Learning (for ages 0-12);
- Fee Subsidies (for ages 0-12);
- Special Needs Resourcing (for ages 0-12);
- Capacity Building (for ages 0-12); and
- Claims-Based Funding: Small Water Works and Territory without Municipal Organization (for ages 0-12).

The Ministry of Education has noted that these remaining guidelines will be released at a later time.

Next Parent Fee Reduction

Effective January 1, 2025, child care base fees will be capped at \$22 per day for eligible children in programmes enrolled in the CWELCC System, pending regulatory amendments to O. Reg. 137/15 under the *Child Care and Early Years Act, 2014 (CCEYA)*.

Non-CWELCC-Enrolled Child Care Operators

Child care operators not enrolled in the CWELCC System may continue to run their operations under the existing provincial licensing and regulatory framework.

Beginning in 2025, these operators will no longer be eligible for routine funding for the portion of their operations serving children from birth to age 5. This includes General Operating Grant, Wage Enhancement Grant (WEG)/Home Child Care Enhancement Grant (HCCEG), and new child care fee subsidies. Existing child care fee subsidy arrangements may continue until the benefiting child ages out of the programme or leave the child care operator.

County of Wellington 2025 Child Care Allocation

The Ministry has shared preliminary 2025 child care funding allocations, exclusive of funding for EarlyON Child and Family Centres funding.

Allocation Component	2025 Allocation
Cost-Based Allocation	\$ 74,235,892
Start-Up Grants	\$ 3,656,700
Local Priorities	\$ 9,420,068
Administration	\$ 1,003,843
Total Child Care Allocation	\$ 88,316,503

This 2025 Child Care Allocation represents an increase of 78.1% over the original budgeted 2024 Child Care Allocation of \$49,570,492 excluding the Incremental 2024 CWELCC Administrative Funding.

A significant increase was anticipated as funding moves away from a fee replacement to a cost-based funding approach.

Incremental 2024 CWELCC Administrative Funding

Transition to the Cost-Based Funding approach and related accountability requires significant changes to existing policies, procedures, and funding agreements. To support this work, the Ministry is providing one-time-only, Incremental CWELCC Administration Funding in 2024.

The County of Wellington's 2024 Incremental CWELCC Administration Funding is \$427,519. This funding must be spent in accordance with the administrative spending guidance in the Ministry's 2024 Canada-Wide Early Learning and Child Care Guidelines and be expended by December 31, 2024.

Municipal Cost Share Implications

In a Questions and Answers document shared with Service System Managers, the Ministry of Education has noted that the implementation of the 2025 child care funding formula and framework requires Service System Managers to maintain municipal cost share requirements at historical levels.

The ministry assumed that the minimum municipal cost share contributions remain the same as per 2024 transfer payment agreements. Noting that, as per CWELCC Agreement obligations, the provincial share will be spent first, the municipal share second and the federal funding last.

The cost-shared contributions will apply to Cost-Based Funding and to Local Priorities, except for WEG/HCCCEG and Wage enhancements under Workforce Strategy, Professional Learning under Workforce Strategy, Small Water Works and Territory without Municipal Organization. More detail will be provided on updated transfer payment agreements later in 2024.

Financial Implications:

At this time, staff are working to fully evaluate the new funding formula and determine what the financial implications will be. Preliminary review suggests that municipal contributions will not be

significantly impacted. The new funding allocation will be included in the County's 2025 preliminary budget and ten-year plan process.

Strategic Action Plan:

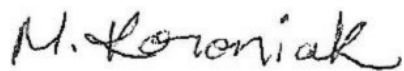
This report relates to the following objectives and priorities in the County's Strategic Action Plan:

- Doing What the County Does Best – Providing Critical Daily Services for Your Residents
- Making the Best Decisions for the Betterment of the Community

Recommendation:

That the Joint Social Services and Land Ambulance Committee recommend to County Council that the report, New Child Care Funding Approach and Incremental 2024 Canada-Wide Early Learning and Child Care Administrative Funding, be received for information.

Respectfully submitted,



Mandy Koroniak
Director of Children's Early Years Division