



## BOARD REPORT

REPORT No.: 2024-36

MEETING DATE: SEPTEMBER 19, 2024

SUBJECT: NEW CHILD CARE AND EARLY YEARS COST BASED FUNDING APPROACH

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### RECOMMENDATION

For information only.

### REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with information on the implementation of the Canada Wide Early Learning Child Care (CWELCC) system New Child Care Funding Approach.

### BACKGROUND

On March 28, 2022, the Ontario government announced participation in the CWELCC program, a national child care program aimed at lowering child care fees for parents of children under the age of six, increasing child care spaces and supporting and growing the child care workforce. On April 20, 2022, the Ministry of Education announced the implementation and details of the CWELCC and how Ontario's child care service managers would participate in the delivery of CWELCC.

Under the agreement with the federal government, Ontario will receive \$13.2B over six years, which the province will use to reduce fees for families and deliver an average cost of \$10 a day child care for eligible children by 2025.

On August 1, 2024 after consultation with the CSMs/DSSABS across the province, the Ministry released the anticipated New Child Care Funding Approach to the CSMs/DSSABS prior to a public release date of August 15. This included the new guidelines and related supports to licensees and well in advance of the effective date of January 1, 2025.

## COMMENTS

The cost-based funding approach replaces the previous “revenue replacement” approach which, until December 31, 2024, provided funding based on the revenue “lost” due to mandatory caps and reductions of parent fees pursuant to O. Reg 137/15.

Starting in 2025, licensees will be funded based on eligible costs incurred in the calendar year.

The supports indicated below are being provided by the province to implement the new cost-based approach to the Canada-wide Early Learning and Child Care funding:

- A new CWELCC Cost-Based Funding Guideline, effective January 1, 2025
- Preliminary 2025 child care funding allocations
- Incremental 2024 CWELCC administrative funding allocations to support set-up costs associated with implementing the new cost-based approach.

The CWELCC cost-based funding approach is guided by the following objectives and principles which CMSMs/DSSABs must consider in the administration of CWELCC cost-based funding.

### Objectives

- Support licensee participation in the CWELCC program by providing appropriate funding to enable parent fee reductions prescribed in O. Reg 137/15 under the *Child Care and Early Years Act, 2014*
- Support wage enhancements under Ontario’s Child Care Workforce Strategy for eligible centres/agencies
- Improve access to high-quality and affordable child care by supporting growth spaces.

### Investments for 2025

Investments from the Government of Ontario and the Government of Canada in the Child Care and Early Years system will total more than \$5.6B for 2025 (excluding EarlyON).

- \$4.61B in Cost-based funding to support operating costs for licensees participating in CWELCC for the delivery of child care to children aged 0-5
- \$0.15B in Start-up Grant funding to support capital costs for the achievement of creating affordable child care spaces for children aged 0-5

- \$0.76B in Local Priorities funding to support operating costs largely outside of the CWELCC system, including fee subsidies and Special Needs Resourcing; and
- \$0.08B in administrative funding to support CMSMs/DSSABs with their administrative capacity to support the early years and child care sector.

## **Key Updates**

### Incremental 2024 CWELCC Administrative Funding

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

To support such set-up costs, the Ministry will be releasing \$27.5M in one-time-only, incremental CWELCC administrative funding to CMSMs/DSSABs for 2024.

### Cost-based Funding (2025 onwards)

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

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

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

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

### Local Priorities

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

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

While CMSMs/DSSABs will have flexibility in how to spend local priorities allocations, the funding guidelines will include certain limitations on how such funding may be spent. However, no significant changes for the above-listed child care programs are expected for 2025.

### Non-CWELCC-Enrolled Licensees

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

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

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

### Next Parent Fee Reduction

Along with implementation of the new funding approach to support the transition to \$10 per day average fees by the end of 2025-26, families with children in programs enrolled in the CWELCC system would see child care base fees capped at \$22 per day effective January 1, 2025.

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

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

The implementation of the new child care funding approach provides the opportunity to provide operators with a formula designed to ensure funding is allocated in an equitable fashion. The business model the approach provides allows the providers to prioritize the focus on the delivery of high-quality programming rather than continuing to be concerned about how or where the funding will come from. The programs can place their attention to the demands of child care spaces with the support of the province to ensure a base salary and fees and expenses are covered.

In the District of Thunder Bay, all child care programs with service agreements have signed on to the CWELCC program. The province has provided a one-time incremental CWELCC administrative funding to support the changes required for a successful and seamless launch of the new approach. Consultations with the community will begin in the fall of 2024. This timeline provides for the ability to become familiar with the new guidelines and funding formulas prior to requesting information from the operators. With a secure plan in place, aligning with the fall budget presentation, Administration will present the information to the service providers and address any questions they may have. Once the community is informed, Administration will be prepared for the roll out date of January 1, 2025 provided by the province.

### **STRATEGIC PLAN IMPACT**

This report supports the Strategic Plan vision of establishing flexible, inclusive services through the enhanced early years and child care programs. Decisions made due to the new Cost Based Funding Approach will continue to support the Strategic Plan.

## FINANCIAL IMPLICATIONS

The New Child Care Funding Approach through the CWELCC program is 100% funded through the provincial and federal governments. TBDSSAB's total projected 2025 allocation is as follows:

Cost Based Allocation	\$ 26,988,479	
Cost Based Allocation Holdback	\$ 1,110,752	
Total Cost Based Allocation		\$ 28,099,231
Start Up Grants		\$ 171,000
Local Priorities Allocation		\$ 7,506,550
Administration Allocation		\$ 709,771
<b>Total 2025 Child Care Allocation</b>		<b>\$ 36,486,552</b>



TBDSSAB cannot exceed the CWELCC funding allocated for 2025. All unspent CWELCC funding will be recovered by the Ministry at the end of each funding year.

## CONCLUSION

It is concluded that this report provides the Board with information relative to the New Child Care Funding Approach guidelines for Child Care and Early Years as it pertains to the Canada Wide Early Learning Child Care (CWELCC) program. Further, all policies and plans developed for the New Child Care Funding Approach will be presented to the Board at future meetings for review and approval. The New Child Care Funding approach will also be reflected in the fall budget process.

## REFERENCE MATERIALS

None

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