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Issued October 11, 2024

FREQUENTLY ASKED QUESTIONS (FAQ)

in response to the release of

CWELCC COST-BASED FUNDING APPROACH AND GUIDELINE

CENTRE-BASED ELCC

Responses provide our current understanding of details related to the question posed and may be subject to updates and/or revisions if/when additional information is provided.

CLARIFICATION OF DEFINITIONS

Q: 1. Need clarifications on the Allocation in Lieu of Profit/Surplus.

A: 1. The Cost-Based Funding Approach builds in an amount to recognize opportunity costs associated with CWELCC enrollment and the risk of running a business, or for licensees to reinvest in child care through an Allocation in Lieu of Profit/Surplus. This allocation is made up of the sum of three components contingent on the specific benchmark allocation and any legacy top up allocation for each licence. The Ministry of Education has prescribed a formula including the base rate amount plus a premium rate amount plus a flat amount (see example below).

For example, using notional amounts for illustrative purposes, the Allocation in Lieu of Profit/Surplus for an eligible centre with a benchmark allocation of \$300,000 and a legacy top-up of \$100,000 would be calculated as the sum of:

(1) $4.25\% \times (\$300,000 + \$100,000) = \$17,000$

(2) $3.5\% \times \$300,000 = \$10,500$



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(3) \$6,000

or \$33,500 (equivalent to 8.375% of the sum of their benchmark allocation and legacy top-up).

If in this notional example, the new centre/agency joined CWELCC on April 15 of the calendar year, the flat amount would be calculated as: $\$6,000 \times (9/12) = \$4,500$.

This allocation is meant as an in-year estimate of the actual Amount in Lieu of Profit/Surplus, until Actual Program Costs are determined at reconciliation. The Allocation in Lieu of Profit/Surplus is subject to re-calculation (and potential reconciliation) after year-end if the Actual Program Costs are less than the Program Cost Allocation.

Q: 2. Program staffing Benchmarks: Can we only have "as per ratio" or are we allowed float staff or higher ratio if this is how we have already been operating.

A: 2. The benchmark allocation is used to determine a notional Cost-Based Funding amount that represents typical costs and is not intended to prescribe direction pertaining to the staffing model. A centre's individual, eligible costs by type do not need to align with each benchmark allocation component (for example, some centres may have relatively high accommodation costs but low operations costs, or vice versa).

COST-BASED FUNDING ALLOCATION

Q: 1. Will the price for subsidized children stay the same as our current rates, or will there be a change? If rates change, please provide the new daily rates for each age group.



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A: 1. Families with children in programs enrolled in the CWELCC system will see child care base fees capped at \$22 per day effective January 1, 2025 (following a regulatory posting, consultation and approval process). We anticipate more information on the next parent fee reduction later in 2024. For families in need of greater financial assistance, parental contributions will continue to be assessed based on Provincial fee subsidy eligibility criteria. We are not aware of any further changes permitted to program rates.

Q: 2. How will we fund MAJOR capital expenses if only minor asset repairs are funded?

A: 2. CWELCC allocations do not include specific funding for capital renewal or expansion. Capital renewal funding for new major repair costs is not included in the benchmarks. Some new capital renewal costs (for example, in publicly funded school settings) could be covered by school boards or other government funding. Accumulated profit/surplus can be used to finance major capital expenditures, however, when planning for the use of funding in lieu of profit/surplus, licensees should consider that the Allocation in Lieu of Profit/Surplus is subject to re-calculation (and potential reconciliation) after year-end if the Actual Program Costs, are less than the Program Costs Allocation. The regulatory framework under the Child Care and Early Years Act, 2014 does not prohibit licensees from using other revenue sources.

Q: 3. How do we calculate "operational days/year"? We close for vacation; do we still get paid for days closed? Parents do pay for these days.

A: 3. In the definitions section of the Provincial Cost-Based Funding guideline, operating space and service day are both defined. The service day is described as the period of time within a 24 hour window, when the eligible centre or active home normally first begins to accept children into care, and where a CWELCC



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licensee charges a base fee for care (as per the parent handbook), even if the centre or home is not open, (for example, on a statutory holiday).

Q: 4. Fixed Operating Costs - can you clarify that these are calculated based on the total licensed space regardless if the classroom is operating - see Example 3 where the Kindergarten spaces are not operating and fixed operating is calculated.

A: 4. Based on the example, the benchmark for accommodations in either a community or school-based setting is calculated per licensed space within the eligible age groups, per year.

Q: 5. Please confirm if multi site agencies are required to calculate by location and reconcile by location. (Note - I believe that the language in the document refers to agencies as home child care agencies and not as multi site child care agencies)

A: 5. Given that cost-based funding is determined and reconciled using actual program costs, the calculation of cost-based allocations will be determined and reconciled by site.

Q: 6. Can you confirm the expected deadline for the calculation of legacy costs for existing programs?

A: 6. The process of delivering cost-based funding for a particular year involves steps in advance of, during and after the calendar year. Licensees can anticipate collection of operational plans and legacy data used to determine cost-based funding allocations (and legacy top-ups for 2025 only) to occur prior to the 2025 calendar year. Specific details around timing will be communicated when determined.



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Q: 7. Can you confirm what rolling top-up after 2025 means when referring to the legacy-top up? (page 12) On page 11 it indicates legacy top up is only 2025.

Does the legacy top up continue until the benchmark funding covers the gap?

A: 7. In 2025, a legacy top-up will be provided for licensees whose allowable expenditures exceed the provincial benchmarks. To ensure that cost structures are covered from one calendar year to the next, the top-up allocation received in 2025 (either legacy, growth or rolling) will be built into the rolling top-up moving forward.

Q: 8. I am reading in the Legacy Top up portion that the licensee can claim one controlling owners compensation. both myself and my husband draw a full time salary from the company as we both work full time. Is this not going to be allowed anymore?

A: 8. As referenced under Step 1e: Add 2025 Controlling Owner's Compensation for Labour, Controlling owner's compensation for labour can only be claimed once per licensee, including licensees with more than one eligible centre/agency or licensees with more than one controlling owner.

Q: 9. Is property tax an allowable expense?

A: 9. As referenced under Step 1d: Add 2025 Fixed Costs, licensees should add the 2025 equivalent of fixed costs removed from 2023 adjusted costs in Step 1a, (specifically: contracted accommodation costs (such as pursuant to a rental agreement), insurance and property tax), which should be consistent with auditable documentation.

Q: 10. We need to use our 2023 audited financial statements for the legacy top up. Our year end is Nov 1 to Oct 31st. Do I use those dates, or calculate the legacy top up using Jan-Dec 2023?



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A: 10. It is not expected that a licensee change their fiscal year, however all legacy top ups will be calculated based on a calendar year.

SYSTEM PRIORITY FUNDING

Q: 1. How will inclusion facilitator funding work? Will we still apply and be funded through CLH? Is something built into this new funding formula to help us accommodate children with higher needs (medical, behavioural etc.)

A: 1. Special Needs Resource Funding (encompassing Resource Consultation Services and Quality Inclusion Support Services) is not factored into CWELCC Cost-Based funding allocations. We expect to learn more about funding opportunities to support other system priorities later in the fall.

WAGE COMPENSATION

Q: 1. Clarification on the calculation of the RECE wage floor, as indicated we are now going to be adding gog to their base...so RECE are going to take a pay cut. More people will leave, again. Please clarify.

A: 1. The Ministry of Education recently provided clarification regarding the intended interpretation of the CWELCC workforce compensation “order of operations”. This clarification indicates that any general operating grant funding directed towards staff wages must be included in their base wage for the purpose of determining eligibility for the wage floor and annual increase. This adjustment to the “order of operations” may impact eligibility for further workforce compensation elements. The Ministry is not requiring previous workforce compensation payouts to be rescinded and is allowing wages for impacted employees to be held constant until they become eligible under the clarified “order of operations”.



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Q: 2. CWELCC wage supports have supported across all age groups. I understand that wage supports for staff working with children 0 to 5 are covered in the new funding formula, will the same wage supports be available for staff working with 6 to 12?

A: 2. As part of the new child care funding approach, starting 2025, CMSMs/DSSABs will receive local priorities allocations to support child care programs with general operating grants (for ages 6 - 12) as well as Wage Enhancement Grant (WEG)/Home Child Care Enhancement Grant (HCCEG) and CWELCC wage enhancements, including those under the Workforce Strategy (for ages 6-12). At this time, we do not have all of the details pertaining to how the local priorities funding can be used, however, we will continue to provide information as it becomes available.

Q: 3. Further to the question around wage supports for staff working with children ages 6 to 12, how will this be calculated to support staff working in mixed age groups serving 4 to 12 year olds?

A: 3. See response above Q & A #1.

QUESTIONS PENDING FURTHER INFORMATION - Responses will be provided when additional information is available.

Questions pertaining to kindergarten programming - Information has not yet been released by the Ministry of Education. We will provide additional information as it becomes available.

Questions pertaining to local priorities - Information has not yet been released by the Ministry of Education. We will provide additional information as it becomes available.



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Q1: On October 1st, 2024 minimum wage increases by \$0.65, is this increase included in the 2025 Benchmarks for funding? When calculating legacy costs, do we remove MWO funding as well - Step 1a (page 30) doesn't address it specifically.

A1: Pending additional information – more information will be provided when available

NEW Questions (as of October 8, 2024):

Q: 1. Will this new format replace all forms of funding moving forward - i.e. CWELCC wage enhancement, wage floor, WEG, GOG

A: 1. The new cost-based funding formula replaces all historical funding streams for CWELCC enrolled licensees serving children 0 – 5 years of age.

Q: 2. Do you plan to disburse funds prior to the month end for the following month (i.e. last week of December for January expenses) or are you planning to give a "Float" again in January - for budgeting purposes this is important to understand.

A: 2. We anticipate disbursement of funding will occur on the first of each month, to cover that month. For example, January 1st payment will cover January expenses. With the change to the payment schedule, we do not anticipate cash flow challenges and therefore will not be issuing a float payment.

Q: 3. If rent or mortgage payments are higher than accommodation allowance – what happens?

A: 3. A benchmark allocation is used to generate notional, cost-based funding amounts that represent typical costs incurred for eligible centres/agencies, adjusted for regional differences, to help ensure that similar eligible centres/agencies receive similar funding. A centre's/agency's individual, eligible



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costs by type do not need to align with each benchmark allocation component (for example, some centres/agencies may have relatively high accommodation cost but low operations costs, or vice versa). A top-up allocation, such as legacy top-up may be applied, to support their legacy cost structure, if eligible costs will exceed their individual benchmark allocations for the calendar year.

Q: 4. If landlord increases rent mid-year, can we apply for increase funding?

A: 4. The cost-based funding calculations allow for in-year adjustments stemming from changes to the operating plan. Dependent on available funding, support to eligible centre/agencies for non-discretionary and unexpected eligible costs above their Program Cost Allocation may be available.