2025 County of Simcoe Cost-Based Funding Guidelines

ADMINISTRATIVE POLICY AND PROCEDURES LICENSED CHILD CARE AND EARLY YEARS

Version: Version Two

Last Updated: February 5, 2025

**This document is intended for use by the recipient Agency/Organization holding an Agreement with the County of Simcoe for funding to administer licensed child are and/or early years services.*

This document is not intended for public distribution.

Table of Contents

Definitions (Terminology)

Term/Acronym used:

Active home: a home child care premises, overseen by an eligible agency, at which child care is currently being provided to at least one eligible child or that plans to accept at least one eligible child during the calendar year.

Active home seat: a child care space in an active home, in which an eligible child is enrolled or could be enrolled immediately (without the need for additional, essential steps to accommodate that child) at any given point on a particular service day, and in respect of which the home or agency charges a base fee for enrolled children.

Enrolled child: a child who has been enrolled and registered with the licensed home child care agency and placed in the care of a home child care provider through a formal agreement and counted within caregiver/child ratio and the maximum home capacity.

Benchmark(s): the standardized cost metric(s) published by the Ontario Ministry of Education in Schedule A of the Ministry of Education guideline for the calendar year.

Calendar year: the period from January 1 to December 31. For clarity, if a particular year is specified in this guideline (such as "2025"), it refers to the respective calendar year.

CEY: Child Care and Early Years

Costs: for the purpose of assessing eligible costs, means:

(a) recurring costs, incurred for an eligible centre's/agency's daily operations such as wages, food, accommodation, or eligible amortization expenses; and,

(b) non-recurring (upfront or amortized) costs incurred by the eligible centre/agency,

i. on minor repairs to capital infrastructure; or,

ii. to replace, enhance, or purchase minor capital assets used for regular operation, such as kitchen or HVAC equipment.

CWELCC: Canada-Wide Early Learning and Child Care

Eligible centre/agency: a child care centre/home child care agency that is:

(a) enrolled in CWELCC; and,

(b) eligible for funding under CWELCC

Eligible costs: costs incurred in respect of an eligible centre/agency in the calendar year for the purpose of providing licensed child care for eligible children, and which are:

(a) attributable to the provision of child care included in the base fee for eligible children;

(b) appropriate for the provision of child care for eligible children; and,

(c) reasonable quality and amount incurred, considering all relevant circumstances.

For greater certainty, the following are not eligible costs:

- costs deemed to be in lieu of profits (such as in-kind benefits or perks directly or indirectly for the benefit of a controlling owner);
- costs for capital renewal for major repairs of sites of existing spaces;
- financing costs exceeding Canada Small Business Financing Program Rates;
- costs funded by another public source or reimbursed by another source (such as by insurance claims); and,
- any penalties, fines, forfeitures, or liquidated damages.

Existing centre/agency: means an eligible centre/agency that is not a new centre/agency.

Legacy centre/agency: means an eligible centre/agency that:

(a) enrolled in CWELCC on or before August 14, 2024, and that has maintained a continuous CWELCC service agreement with the CMSM/DSSAB since that date; or,

(b) submitted an application for enrolment in CWELCC on or before August 14, 2024, which application was not withdrawn at any time following August 14, 2024, and, as a result of that application, was enrolled in CWELCC and has maintained a continuous CWELCC service agreement with the CMSM/DSSAB since the date of enrollment.

Licensed space: a child care space in an eligible centre, in which, pursuant to the centre's licence, the centre is authorized to enroll a child (not required to be an "operating space") and charges a base fee for enrolled children. Alternate capacity is not considered for counting licensed spaces.

New centre/agency: an eligible centre/agency in the first calendar year enrolled in CWELCC (cannot be a legacy centre/agency).

Operating space: a child care space in an eligible centre, in which an eligible child is enrolled or could be enrolled immediately (without the need for additional, essential steps to accommodate that child, such as hiring additional staff to meet regulatory requirements) at any given point on a particular service day, and in respect of which the centre charges a base fee for enrolled children. Alternate capacity is considered for counting operating spaces. Eligible centres can only enroll children if they meet the requirements of O.Reg 137/15, including minimum program staff-to-child ratios per room.

Service day: a 24-hour period that begins in the calendar year, starting at the time the eligible centre or active home normally first begins to accept children into care or the end of the previous 24-hour period, during which the licensee is enrolled in CWELCC in respect of the eligible centre/agency and charges a base fee per the parent handbook, even if the centre or home is not open (for example, on a statutory holiday). For clarity, the number of service days in a calendar year cannot exceed the number of calendar days in the calendar year.

SSM: Service System Manager of Licensed Child Care and Early Years

Vacancy rate: the number of operating spaces or active home seats, in which no child is enrolled, divided by the total number of operating spaces or active home seats in the eligible centre/agency.

Procedure Statement

This administrative policy and procedure outlines the cost-based funding formula developed by the Ministry of Education and how it will be implemented in Simcoe County. Any discretion that the County of Simcoe has in policy and approaches related to cost-based funding will occur in consultation the child care and early years system.

Introduction

Starting in 2025, the County of Simcoe began implementing the new cost-based approach to Canada-Wide Early Learning and Child Care (CWELCC) funding, as per Ministry of Education directions.

These guidelines are applicable to the calculation of cost-based funding for eligible centres/agencies under the Canada-Wide Early Learning and Child Care (CWELCC) Agreement for 2025 and subsequent calendar years.

The cost-based funding approach described in this document 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 in eligible centres/agencies, up to a maximum amount of funding determined by the formula described in this document and the Ministry of Education guideline.

Key Concepts

The cost-based funding approach provides funding based on the typical (representative) costs of providing high-quality child care to eligible children in Ontario. Cost-based funding is calculated per eligible centre/agency and is structured around the following basic concepts:

<u>Program costs</u>: Funding is provided to support eligible costs.

<u>Amount in lieu of profit/surplus</u>: In addition to covering eligible costs, 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. The calculation of an amount in lieu of profit/surplus also reflects the need for safeguards around public funding and profit margins, as required under the Canada-Ontario CWELCC agreement.

Base fee revenue: Fees continue to be collected (for example, from families) to provide child care as reflected in base fees, with restrictions on the amounts that can be charged as set out in O. Reg 137/15 under the Child Care and Early Years Act, 2014.

Cost-based funding: The sum of funding for program costs and the associated amount in lieu of profit/surplus, offset by base fee revenue.

Funding allocations vs actual funding: Under the cost-based funding approach, the amount of funding a licensee can receive in respect of an eligible centre/agency ("Actual Cost-Based Funding") crystalizes upon the assessment, at the time of reconciliation, of eligible costs incurred for the eligible centre/agency during the calendar year.

To ensure accountability over public funds, cost-based funding allocations set the maximum amounts that could be claimed in eligible costs in respect of eligible centres/agencies upon reconciliation. In other words, this cost-based approach is not a pure "cost reimbursement" model.

Cost-Based Funding Allocation Process

The process for cost-based funding is outlined in the table below.

Before the Calendar Year	During the Calendar Year	After the Calendar Year
Eligible centres/agencies submit the coming year's operating plan, including a copy of the Parent Handbook Service Systems Manager (SSM) calculates Cost-Based Funding Allocations SSM updates Service Agreements, as needed SSM schedules regular (advance) payments to licensees SSM selects eligible centres/agencies for cost reviews	SSMs pay licensees as per schedule Eligible centres/agencies submit reports, as requested, to the SSM Eligible centres/agencies request in-year funding change requests (based on changes to operating plans or emergency funding) SSM performs cost reviews	Eligible centres/agencies submit annual financial reports that are reviewed by the SSM for cost eligibility SSM selects a sample of eligible centres/agencies for Direct Engagements to Report on Compliance SSM calculates and recovers overpayments

Details about components mentioned in the process are outlined further in this document.

Ongoing Communication

To support the principles and smooth implementation of cost-based funding, the County of Simcoe will utilize an approach of open, early, and appropriate communication. This includes community sessions, Q&A, website updates, one-on-one sessions as requested, and “Noon Network” opportunities where licensees can drop in to a scheduled live virtual Q&A.

1 Policies and Procedures

The CWELCC cost-based funding approach (sometimes referred to as the “funding formula”) is guided by the following objectives and principles.

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.

Principles

Transparent: Clear and consistent approach, both locally and across CMSMs/DSSABs so that licensees know what to expect from CMSMs/DSSABs.

Representative: Funding is responsive to how child care is delivered in Ontario and based on the true costs of providing child care to eligible children.

Simple: Easy to understand with minimal administrative burden.

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

The cost-based funding approach is designed to balance these principles. For example, benchmarks were developed to balance simplicity with representativeness by using statistical techniques to turn standard and clear data metrics – such as spaces/active homes – into cost drivers, representative of costs typically incurred for the delivery of child care in Ontario.

Building benchmarks into cost-based funding limits the data required to determine funding without oversimplifying into a “one size fits all” approach.

2 Overview of the Cost-Based Funding Allocation

An eligible centre’s/agency’s CWELCC “Cost-Based Funding Allocation” is an amount of funding provided to operators to support the costs of providing child care throughout the year. The cost-based funding allocation is calculated as:

Program Cost Allocation
PLUS
Allocation In Lieu of Profit/Surplus
MINUS
Expected Base Fee Revenue Offset
EQUALS
Cost-Based Funding Allocation

Cost-based funding is calculated for each eligible centre/agency (that is, at the licence level), even if managed by the same licensee. Multi-site licensees will receive Cost-Based Funding Allocations, and need to track eligible costs, at the license level. The County of Simcoe will then reconcile at year end for each eligible centre/agency.

The Cost-Based Funding Allocation is calculated annually, before a year begins. This allocation is for a calendar year and is based on the information submitted in the eligible centre's/agency's operating plan for the coming year.

Program Cost Allocation

The Program Cost Allocation calculation involves two main components which are added together:

(a) Benchmark Allocation

The purpose of the benchmark allocation is 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 costs by type do not need to align with each benchmark allocation component (for example, some centres/agencies may have high accommodation cost but low operations costs, or vice versa).

+

(b) Top-up Allocation

i. **Legacy top-up** for legacy centres/agencies in 2025 to support their legacy cost structures in the transition to cost-based funding, if such structures mean that eligible costs will exceed their individual benchmark allocations for the calendar year. This is to avoid legacy centres/agencies having to significantly change their operating models due to the implementation of cost-based funding. This top-up allocation only applies to 2025 and becomes part of the rolling top-up after 2025.

ii. **Growth top-up** for new centres/agencies in the calendar year, or existing centres/agencies that expand with approved, new licensed spaces/active homes in the calendar year. This is to recognize that typical costs may vary within economic regions and to encourage growth.
iii. **Rolling top-up** for eligible centres/agencies in calendar years after 2025 who received a top-up in the previous calendar year (either legacy top-up, growth top-up, rolling top-up, or some combination). This is to ensure that cost structures are covered from one calendar year to the next. This top-up allocation only applies to calendar years after 2025.

New centres/agencies should develop their operating plans or budgets to fit within their Program Cost Allocation for the applicable calendar year.

Allocation In Lieu of Profit/Surplus

Allocation in Lieu of Profit/Surplus, recognizes the opportunity cost and the risk of operating a business and allows for reinvesting in child care. This allocation is made up of the sum of three components for each license.

Expected Base Fee Revenue Offset

An eligible centre's/agency's Program Cost Allocation plus Allocation in Lieu of Profit/Surplus is offset by the Expected Base Fee Revenue for the calendar year to be earned from families, or others on behalf of families (this means, including fee subsidies).

A description of how each of these components are calculated is provided in a later section of this document.

3 Annual Operating Plan

Licensed child care operators must submit information to the County of Simcoe each year to support the calculation of the cost-based funding allocation for the coming year (this is the "annual operating plan"). This is an annual process, and operators are to submit plans for the upcoming calendar year (January to December) via an online tool. This online tool is the annual operating plan for the upcoming year.

The online tool will be provided to operators by the County of Simcoe via email and will include an instruction manual. Operators will be required to enter the requested information needed to determine the Cost-Based Funding Allocation for the upcoming calendar year. The requested information must be submitted for each licence/site.

Information that will be requested each year may include:

- Planned number of operating spaces by age group;
- Planned number of active homes (Licensed Home Child Care);
- Planned number of active home seats for eligible children (Licensed Home Child Care);

- Planned number of service days by age group or active home;
- The typical number of hours of service provided by the eligible centre/agency for each eligible age group; and
- A copy of the eligible centre's/agency's parent handbook or an indication of where the handbook is publicly available.

The online tool will be available for a set period of time. During the open time period changes can be made in the tool. After the set time period, changes to the operating plan will need to be requested via County of Simcoe staff. A process for in-year review and revision of operating plans, will be communicated in the spring of 2025 and subsequently included in a revised version of the County of Simcoe Cost-Based Funding Guidelines.

Budgeting and Planning

The annual operating plan is for the upcoming calendar year. The information required to calculate the cost-based funding allocation are plans for the upcoming calendar year, not actuals.

Budgeting and planning are best practices that help organizations mitigate financial and operational risks. During a budgeting or planning process, eligible centres/agencies must make reasonable assumptions – within the existing constraints of their operation such as licensed capacity and availability of staff – of their licence-specific characteristics in a future state. These plans and assumptions would be similar to the information that would be used to create the eligible centre's/agency's operating budgets.

A home child care provider's own children under the age of four must be included in the caregiver/child ratio and maximum home capacity, as outlined in the Child Care Early Years Act. The County of Simcoe does not permit agencies to include a provider's own child/children for the purpose of determining an active home seat, eligible for cost-based funding and or Fee Subsidy.

Actual costs will be reconciled on a calendar year basis. Accurate planning assumptions will help avoid significant recoveries at year end.

4 Calculating the Program Cost Allocation

Program Cost Allocations are calculated by eligible centre/agency. As noted above, the Program Cost Allocation is comprised of a Benchmark Allocation (adjusted for geographic differences) and a Top-Up Allocation.

Benchmark Allocation

Benchmarks are designed to represent typical costs incurred by licensed child care centres and home child care agencies in Ontario in each of the components shown in the following table.

Benchmark Component	Eligible Costs Represented

ELIGIBLE CENTRES	
Program Staffing	Pay and benefits for program staff in eligible centres (that is, counting towards ratio requirements in O. Reg 137/15 under the *Child Care and Early Years Act, 2014*)
Supervisor	Pay and benefits of supervisors working in eligible centres
Accommodations	Accommodations costs for eligible centres, including rent, mortgage payments, property taxes, maintenance and minor repairs, and other related costs such as furniture and equipment
Operations	All other operating costs of eligible centres, including pay & benefits of non-program staff (such as cooks), food, overhead costs (such as centralized staff, licensing or professional fees), program equipment and supplies, office expenses, utilities, cleaning, insurance, and other (such as training, advertising, transportation, IT equipment)
ELIGIBLE AGENCIES	
Provider Compensation	Compensation for home child care providers
Visitor Compensation	Compensation for home child care visitors
Agency Operations (Variable); and Agency Operations (Fixed)	Fixed and variable costs for eligible agencies (such as accommodation and operating costs for the head office, and pay and benefits for head office staff)

To calculate the relevant components of an eligible centre's/agency's unadjusted benchmark allocation, the County of Simcoe will apply benchmarks for the calendar year, as set out in Schedule A of the Ministry of Education guideline, across license-specific characteristics, such as:

- Operating space-days/home-days (representing variable costs)
- Licensed spaces/space-days (representing fixed costs)
- Applicable age group for eligible centres (infant, toddler, preschool, kindergarten, family age group)
- Licence type (centre-based or home child care)
- Licence setting (community or publicly funded school)

Benchmarks for the calendar year are based on statistical analysis of data collected from the sector (and other sources) and account for cost escalation, including due to policy changes (such as the Child Care Workforce Strategy). The Ministry of Education reviews and publishes benchmarked amounts at least annually in advance of the relevant calendar year.

Geographic Adjustment Factor

The sum of all amounts noted in the above table establishes the unadjusted benchmark allocation for the eligible centre/agency. Due to cost variations across the province, the unadjusted benchmark allocation is then multiplied by a geographic adjustment factor (see

Schedule B in the Ministry of Education guideline) to finalize a benchmark allocation for the eligible centre/agency.

Planning for Operating Spaces in the Upcoming Calendar Year

The information submitted for your centre to calculate the benchmark allocation is based on the planned number of operating spaces in the upcoming calendar year. The Ministry of Education defines an operating space as:

> "A child care space in an eligible centre, in which an eligible child is enrolled or could be enrolled immediately (without the need for additional, essential steps to accommodate that child, such as hiring additional staff to meet regulatory requirements) at any given point on a particular service day, and in respect of which the centre charges a base fee for enrolled children. Alternate capacity is considered for counting operating spaces. Eligible centres can only enroll children if they meet the requirements of O.Reg 137/15, including minimum program staff-to-child ratios per room."

In planning for the upcoming calendar year use your centre's average current year's operating capacity as a starting point for determining the number of operating spaces in the coming year. Also consider available staffing, waiting list, your centre's growth plan, etc.

If you want to discuss the number of operating spaces for the coming year, contact your Compliance Analyst at the County of Simcoe.

Any changes in operating spaces made during the calendar year (i.e. any changes in mixed age grouping or alternate capacities, a higher operating capacity, etc.) would be considered during in-year adjustments or cost recovery

At year-end reconciliation, the County of Simcoe will look at the actual number of operating spaces and recovering costs, if necessary, based on this.

Attributing Costs Amongst Sites (Multi-Site/Multi-Service Operators)

Cost-based funding is calculated for each eligible centre/agency (that is, at the license level), even if managed by the same licensee. Multi-site licensees will receive Cost-Based Funding Allocations, and need to track eligible costs, at the license level. The County of Simcoe will then reconcile at year end for each eligible centre/agency.

If your organization is a multi-site and/or multi-service organization the information required to calculate the benchmark allocation and top-up allocation needs to be submitted by:

- SSM jurisdiction (County of Simcoe sites only)
- Site
- Child care portion only
- Eligible children only
- Calendar year

Annual audited financial statements may be completed at the organizational level, however, it is a requirement that your organization prepares site budgets with a clear process to attribute eligible overhead costs to each site.

WEG/HCCEG and Workforce Compensation

(New for 2025 - clarification to the Order of Operations outlined below)

Under CWELCC Cost-Based Funding, WEG/HCCEG and Workforce Compensation funding for staff serving children aged 0 to 5 has been reinvested into cost-based funding allocations and the enhancements are included in the program staffing and supervisor benchmarks for centres, and home child care visitor benchmark for home child care agencies.

For clarity, there is no longer a separate allocation for WEG/HCCEG and Workforce Compensation for these staff, as it is included in the total amount allocated through cost-based funding. as of 2025, there is no longer an application requirement for staff serving children aged 0–5.

As WEG/HCCEG and Workforce Compensation funding for staff is being provided through the cost-based funding allocations. licensees must continue to meet the eligibility and accountability requirements of the workforce compensation (wage floor and annual increase) and WEG/HCCEG components, following the order of operations prescribed by the Ministry of Education (for more information on the wage compensation and WEG/HCCEG calculations, please refer to Appendix A at the end of the guidelines). You may wish to utilize the eligibility calculator resource to support your calculations for the 2025 WEG/HCCEG, Workforce Eligibility (which can be found on our website).

As previously directed by the Ministry of Education, approximately half of the SSMs across the province were advised that the order of operations did not include the General Operating Grant (GOG). In 2025, the Ministry of Education has provided clarification that any GOG being directed to staff salaries is to be included in the order of operations. As you know, the County of Simcoe required that 90% of GOG allocations received be directed towards staff salaries, we are one of the SSMs who is now required to direct operators to include the GOG in the order of operations when determining wage floor and annual increase eligibility. Fortunately, we are not required to recover funds distributed to employees (in advance of eligibility), however moving forward the GOG must be considered when calculating the eligibility for the wage floor and/or annual increase. This may result in employee salary levels being held constant until they become eligible. Please refer to Appendix A for wage floor and annual increase levels relevant to each year. The expectation moving into 2025 is that historical GOG funding attributed to staff salaries (which is now embedded in the cost-based funding) is to be maintained equitably for all staff (including any new staff that are hired by the Licensee).

In the example below the method of calculation in 2024 results in the employee’s eligible hourly rate as $25.36. Using the 2025 clarified order of operations, the employee’s eligible hourly rate for 2025 is $24.86. In this example, the employee’s hourly rate would be held at $25.36 until the eligible hourly rate (using the clarified order of operations) exceeds $25.36.

		DETERMINATION OF ELIGIBLE WEG and WAGE COMPENSATION PER HOUR				FINAL WAGE PER HOUR
	Base wage	Step1: Base wage Plus GOG	Step 2: Base wage Plus GOG Plus WEG of up to $2	Step 3: Plus Wage Comp Annual Increase (AI) of up to $3	Step 4: Plus, Wage Floor Increase (to reach $24.86 total)	FINAL WAGE PAID
RECE staff have a paid GOG wage top-up of $1.50 an hour.						
RECE Staff 2024 calculation	$17.20	GOG not included in calc	$17.20 + $2 WEG = $19.20	$19.20 + $2 WC AI = $21.20	$21.20 + $2.66 WFI = $23.86 (Wage Floor) (total Wage Comp = $4.66)	Eligible final wage with Wage Comp is $23.86 **plus $1.50 GOG added = $25.36**
RECE Staff 2025 calculation	$17.20	$17.20 + $1.50 GOG = $18.70	$18.70 + $2 WEG = $20.70	$20.70 + $3 WC AI = $23.70	$23.70 + $1.16 WFI = $24.86 (Wage Floor) (total Wage Comp = $4.16)	Eligible final wage with Wage Comp is **$24.86** (GOG already included in 2nd step)

For CWELCC enrolled programs serving ineligible children refer to the County of Simcoe's Local Priorities Guideline section pertaining to WEG/HCCEG and workforce compensation eligibility.

Top-Up Allocation

As noted above, the top-up allocation may include one or more of a:

<u>Legacy top-up</u> for legacy centres/agencies in 2025 only to support their legacy cost structures in the transition to cost-based funding, if such structures mean that eligible costs will exceed their individual benchmark allocations for the calendar year. This step in the funding formula calculates the costs associated with the legacy centres'/agencies' 2023 cost structures, adjusted for eligibility, cost escalation, and changes to operating practices and fixed costs.

If your organization is a legacy centre/agency you will be asked to submit financial information from 2023, including an audited 2023 Statement of Operations. This information must be submitted by site (license), for the calendar year of 2023 (January to December), and for eligible children only.

If your legacy centre/agency can reasonably demonstrate that 2023 was an “abnormal” year (that is, not representative of expected or typical operations due to events or circumstances such as major illness, parental leave, or unforeseen closures), then the calculations in this step can use a single, “typical” month from 2023 instead of the entire year.

Compare your 2023 costs to your typical 2024 costs. If you think 2023 was an abnormal year, contact your Compliance Analyst to discuss this.

In-year funding adjustments and the year-end reconciliation process will also provide an opportunity to review costs.

If the 2023 Statement of Operations is aggregated across multiple licenses or if it includes services not included in the base fee you must use a reasonable split of costs to provide 2023 expenses for eligible children at the site level. See section above (Attributing Costs Amongst Sites) for more details.

Where costs are incurred by a legacy centre/agency to serve both eligible (age 0 to 5) and ineligible children (age 6 to 12), a reasonable methodology to split eligible costs (that is, those attributable to the provision of child care included in the base fee) from ineligible costs must be employed.

Determining the Percentage Allocation of Eligible Children – for Centres

If your centre provides programs that serve both CWELCC eligible and CWELCC ineligible children you must use the following methodology to split eligible costs from ineligible costs for 2023 total expenses, non-recurring costs and fixed costs.

As per Ministry of Education guidelines, “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.

The following methodology will identify the percentage of 2023 costs that are attributable to CWELCC eligible children.

<u>For program staffing and operating costs</u>

Determine an eligible share by weighting operating spaces by age group using the program staff-to-child ratio for each age group as defined in O. Reg 137/15 and typical hours of service for each age group, including only eligible age groups in the numerator and all age groups (eligible and ineligible) in the denominator.

For example:

A legacy centre with 15 toddler spaces (eligible; staff to child ratio of 1/5; 10.5 hours per day) and 30 primary/junior school spaces (ineligible; weighted at a ratio of 1/15 and 4.5 hours per day) could use an eligible share for program staffing and operating costs of:

[15 x (1/5) x 10.5] divided by [(15 x (1/5) x 10.5) + (30 x (1/15) x 4.5)] = 31.5/40.5 = 78%

In this example, 78% of the program staffing and operating costs from 2023 should be used.

For supervisor costs

Determine an eligible share by weighting operating spaces by age group using the program staff-to-child ratio for each age group as defined in O. Reg 137/15, including only eligible age groups in the numerator and all age groups (eligible and ineligible) in the denominator.

For example:

15 toddler spaces (eligible; staff to child ratio of 1/5) and 30 primary/junior school spaces (ineligible; weighted at a ratio of 1/15) could use an eligible share for supervisor costs of:

[15 x (1/5)] divided by [(15 x (1/5)) + (30 x (1/15))] = 3/5 = 60%

In this example, 60% of the supervisor costs from 2023 should be used.

For accommodation costs

Determine an eligible share by weighting licensed spaces by the maximum group size ratios as defined in O. Reg 137/15, including only eligible age groups in the numerator and all age groups (eligible and ineligible) in the denominator.

For example:

15 toddler spaces (eligible; weighted using maximum group size ratio of 1/15) and 30 primary/junior school spaces (ineligible; weighted using maximum group size ratio of 1/30) could use an eligible share for accommodation costs of:

[15 x (1/15)] divided by [(15 x (1/15)) + (30 x (1/30))] = 1/2 = 50%

In this example, 50% of the accommodation costs from 2023 should be used.

Determining the Percentage Allocation of Eligible Children – for Agencies

If your agency provides programs that serve both CWELCC eligible and CWELCC ineligible children you must use the following methodology to split eligible costs from ineligible costs for 2023 total expenses, non-recurring costs and fixed costs.

For all costs

Determine a ratio by dividing the number of eligible children enrolled by the total children enrolled.

For example:

An agency with 60 eligible children (aged 0 to 5 years) and 100 ineligible children (aged 6 to 12 years) could use an eligible share for all costs of:

60 divided by 100 = 60%

In this example, 60% of the agency costs from 2023 should be used.

Growth top-up for new centres/agencies in the calendar year, or existing centres/agencies that expand with approved, new licensed spaces/active homes in the calendar year. The growth top-up allocation is calculated by multiplying the benchmark allocation by a SSM specific growth multiplier.

Growth multipliers are applied at the SSM level to recognize geographic variation but, to simplify Cost-Based Funding Allocations for a smoother implementation, do not drill down further to smaller communities within SSMs. That is, the growth multipliers are determined using data from the entire SSM's region (not just the individual SSM) to represent typical costs across the SSM. See Schedule C of the Ministry of Education guideline for the growth multipliers.

A growth top-up allocation may be applied to new licensed spaces. This allocation is only applicable to approvals made under directed growth by the County of Simcoe.

If you are interested in expansion refer to the County of Simcoe's directed growth process and application.

There will be a process for an in-year adjustment of funding if new, approved spaces are added during a calendar year.

Rolling top-up for eligible centres/agencies in calendar years after 2025 who received a top-up in the previous calendar year (either legacy top-up, growth top-up, rolling top-up, or some combination).

See the Ministry of Education guideline for detailed information about calculating the Program Cost Allocation.

5 Calculating the Allocation In Lieu Of Profit/Surplus

In addition to the cost-based Program Cost Allocation outlined above, the County of Simcoe must provide an Allocation in Lieu of Profit/Surplus, which recognizes the opportunity cost and the risk of operating a business and allows for reinvesting in child care. This allocation is made up of the sum of three components for each license.

1. Base rate amount

Multiply the base rate of 4.25% by the Program Cost Allocation (benchmark allocation and top-ups).

2. Premium rate amount

Multiply the premium rate of 3.5% by the benchmark allocation for the eligible centre/agency.

3. Flat amount

Add a flat amount of $6,000 for the eligible centre/agency for the calendar year. Multiply the $6,000 by the whole number of months (partial or full) in the calendar year in which the eligible centre/agency participated in CWELCC, divided by 12.

Like the Program Cost Allocation, 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. Upon reconciliation, the base rate of 4.25% would be applied to Actual Program Costs and the premium rate of 3.5% would be applied to Actual Program Costs up to the benchmark allocation.

See the Ministry of Education guideline for detailed information about calculating Allocation in Lieu of Profit/Surplus.

6 Calculating the Expected Base Fee Revenue Offset

An eligible centre's/agency's Program Cost Allocation plus Allocation in Lieu of Profit/Surplus is offset by the Expected Base Fee Revenue for the calendar year to be earned from families, or others on behalf of families (this means, including fee subsidies).

As part of planning for the upcoming calendar year, eligible centres/agencies must estimate revenue expected from base fees and fee subsidies for eligible children. This information will be submitted as part of the "annual operating plan" via the County of Simcoe's online tool.

Estimated Base Fee Revenue: Child Care Centres

For eligible centres, the estimated base fee revenue is the sum of the base fee revenue associated with each operating space for eligible children (i.e. total number of operating spaces that are charged that daily base fee, multiplied by that base fee, multiplied by the number of service days those spaces would be charged that base fee).

Expected registration fees or other mandatory fees should also be included in Estimated Base Fee Revenue.

Estimated Base Fee Revenue: Home Child Care Agencies

For eligible agencies, the estimated base fee revenue is the sum of the base fee revenue associated with each active home seat for eligible children, whether paid directly to the agency or to the home child care provider (i.e. total number of active home seats expected to be charged that fee, multiplied by that base fee, multiplied by the number of service days those active home seats would be charged that base fee).

Expected registration fees or other mandatory fees should also be included in Estimated Base Fee Revenue.

Expected Base Fee Revenue Offset (Adjusted for Maximum Vacancy Rate)

To account for vacancies (for example, due to child turnover or room transition), the estimated base fee revenue will be multiplied by 0.90 for 2025, or 0.95 for subsequent calendar years to generate the Expected Base Fee Revenue Offset, which is used to calculate the eligible centre's/agency's Cost-Based Funding Allocation.

See the Ministry of Education guideline for detailed information about calculating the expected base fee revenue offset.

7 Home Child Care Agencies with Active Homes in Multiple Jurisdictions

When an eligible agency has active homes in multiple SSM jurisdictions, the overseeing SSM receives an allocation to cover all the agency's active homes in its jurisdiction, as well as those falling in other SSM jurisdictions as of a date specified by the Province when it communicates the allocations for the calendar year (the "specified date"), but not active homes created within other ("secondary") SSM jurisdictions after the specified date.

In turn, the overseeing SSM will allocate funding to eligible agencies to cover all such active homes, including those within "secondary" SSM jurisdictions as of the "specified date."

If an eligible agency created an active home in another SSM jurisdiction after the "specified date" (in alignment with that SSM's Directed Growth Plan), the "secondary" SSM will allocate funding to the eligible agency on account of those active homes, until such time as the province provides a new "specified date."

For 2025, this "specified date" is December 31, 2022.

When the Ministry of Education communicates allocations for the next calendar year, the funding (and responsibility for allocating that funding) for any active homes created between the previous and new specified dates will shift to the overseeing SSM.

All eligible agencies with active homes in other SSM jurisdictions should contact and work with the County of Simcoe to ensure an accurate calculation of their cost-based funding allocation.

8 Payments and In-Year Funding Adjustments

Payments

SSMs must pay cost-based funding allocations in regular installments, at the beginning of every payment period, throughout the calendar year and must reconcile those allocations against actual cost-based funding based on actual program costs.

The County of Simcoe will issue payments on the first of each month (monthly advance payment) based on equal monthly operating payments of the annual cost-based funding allocation.

Lower Cost-Based Funding Allocation

To avoid the recovery of significant overpayments at year-end, a licensee may agree to a lower cost-based funding allocation for an eligible centre/agency.

County of Simcoe Compliance Analysts will identify potential operators that may benefit from a lower cost-based funding allocation. They will do this by:

- Comparing the new Cost-Based Funding Allocation to prior years' funding
- Identifying an increase that is a higher percentage than other operators' increases
- Reviewing the results of in-year cost reviews

If your centre/agency is identified, a Compliance Analyst will contact you for a discussion.

If you think your centre's allocation is higher than required in the upcoming calendar year you can also contact your Compliance Analyst for a discussion.

This is important as the allocations the centre/agency receives will be compared against Actual Cost-Based Funding based on Actual Program Costs at the year end and reconciliation cost recovery will occur.

In-Year Funding Adjustments

Reconciliation of Cost-Based Funding Allocations can be performed periodically throughout the calendar year. The purpose of these in-year reconciliations is to identify overpayments for cash management purposes and to avoid the recovery of significant actual overpayments on determination of Actual Cost-Based Funding at year-end.

If an in-year change is required, the Cost-Based Funding Allocation will be updated (for example, by replacing the old number of operating space-days with the new number) on a go-forward basis.

the calculations that result in the cost-based funding allocation allow for in-year adjustments stemming from, for example:

- A change in operating space-days due to a change in staffing complement
- A change in licensed spaces for an existing centre/agency
- The agreement of a licensee to reduce their Program Cost Allocation for an eligible centre/agency to reduce the need for year-end recoveries
- The determination of the previous year's actual eligible costs, affecting the rolling top-up for an eligible centre/agency
- The licensee stops participating in CWELCC in respect of that eligible centre/agency

The County of Simcoe will conduct in-year funding adjustment reviews at the end of Quarter 1, Quarter 2, and Quarter 3. At this time, you will be asked to resubmit the online form based on in-year actuals.

Contact your Compliance Analyst if you think you require an in-year adjustment outside of these points in time.

One-Time, Unexpected Costs

SSMs may use any funding flexibility to support eligible centres/agencies that incur non-discretionary and unexpected eligible costs above their Program Cost Allocations (such as emergency capital repairs to minor assets).

If your centre/agency requires additional funding for non-discretionary and unexpected eligible costs above your centre's/agency's Program Cost Allocations, you can apply to the County of Simcoe for these one-time unexpected costs. Applications for one-time unexpected expenses will be considered based on funding availability and operating implications.

9 Calculating the Actual Cost-Based Funding (Reconciliation)

SSMs must compare the funding provided to an eligible centre/agency against the eligible centre's/agency's Actual Cost-Based Funding for the calendar year and recover any overpayments.

These comparisons (also known as 'reconciliations') must be performed annually, after the end of the calendar year.

On reconciliation, SSMs must evaluate eligible costs incurred for the eligible centre/agency during the calendar year and calculate any overpayment, if applicable.

The overpayment calculation involves two steps:

1. Funding provided in respect of the eligible centre/agency, minus
2. The eligible centre's/agency's Actual Cost-Based Funding

See the Ministry of Education guideline for detailed information about calculating the Actual Cost Based Funding.

As noted above, the County of Simcoe will conduct in-year reporting and funding adjustment reviews at the end of Quarter 1, Quarter 2, and Quarter 3. Throughout the year, you may be asked to verify information based on in-year actuals.

In addition to this, there will be an annual year end reconciliation (through the submission of a year-end report), a compliance assurance process and cost reviews. The compliance assurance process and cost reviews are outlined further in section 10.0 (Accountability Framework).

Annual Year End Reconciliation

Funds will be reconciled at the end of each calendar year.

Reporting on the Cost-Based Funding Allocation is an evolving initiative. The County of Simcoe will continue to provide updates on this, as required.

10 Accountability Framework

The Principle-Based Definition of Eligible Costs

SSMs must assess whether a centre’s/agency’s costs are eligible for cost-based funding when calculating legacy top-ups in 2025 and, for 2025 and future calendar years, when evaluating Actual Cost-Based Funding on reconciliation and conducting cost reviews.

The principle-based definition of eligible costs is designed to balance the objective of supporting licensee participation in the CWELCC program by providing appropriate funding, representative of the true costs of providing child care, with the need to build in cost control structures and safeguards to ensure accountability over and equitable distribution of public funds.

The intent is to provide a clear and consistent approach to evaluating eligible costs, while imposing minimal administrative burden for both SSMs and licensees and supporting high-quality learning environments for the benefit of eligible children in the licensee’s care.

When evaluating whether costs incurred by the licensee in the calendar year for the purpose of providing child care for eligible children in an eligible centre/agency in Ontario are eligible for funding, the following will be considered. Are the costs…

- Attributable to the provision of child care included in the base fee for eligible children
- Appropriate for the provision of child care for eligible children
- Reasonable in quality and amount, having regard to all the relevant circumstances

“Attributable” and “appropriate” determine whether a licensee’s cost is, by nature, eligible for CWELCC funding, while the “reasonableness” of a cost determines whether the quality and amount (that is, in full or partial amount) of that cost is eligible for coverage.

Attributable	Costs are attributable if they are incurred, directly or indirectly, for the provision of child care included in base fees.
Appropriate	Costs are appropriate in nature and character for the provision of child care for eligible children if they: (a) Represent types of costs that are necessary or would reasonably be expected to be incurred by an ordinary prudent person in the operation of a comparable business providing child care for eligible children; and, (b) Provide due regard for access and inclusion, health, safety and quality. For clarity, administration costs, costs incurred for health and safety, and costs incurred for cultural or religious purposes should be considered among appropriate costs.

Reasonable	A licensee's costs, which are attributable to and appropriate for the provision of child care included in base fees for eligible children, are reasonable if, having regard to all relevant circumstances, the: (a) Quality of the good or service; and, (b) Amount incurred, given the quality of the good or service, do not exceed what would be incurred by an ordinary prudent person in the operation of a comparable business providing child care to eligible children. For clarity, a "comparable business" for the purpose of evaluating eligible costs means a business providing child care meeting the requirements of the *Child Care and Early Years Act, 2014*, and may mean a business: Offering a similar child care program to eligible children in a similar setting (child care centre or home child care overseen by a home child care agency); and, In similar circumstances (for example, located in the same or similar region, providing child care for children of similar ages, or with similar religious or cultural considerations).

Assessing Eligible Costs

Any CWELCC funding that is used for ineligible costs may result in year-end recoveries. To minimize this risk, centres/agencies should not incur ineligible costs. If in doubt, before incurring the cost, you may seek guidance from your County of Simcoe Compliance Analyst related to cost eligibility.

Such guidance or communication should be intended to minimize the risk of unexpected cost-recoveries and potential disputes and not to provide a final determination of cost eligibility, as such a determination cannot be made until reconciliation.

The following specific rules apply to assessing eligible costs

<u>Controlling Owner's Compensation for Labour</u>: For the purpose of calculating an eligible centre's/agency's legacy top-up, controlling owner's compensation for labour is accounted for under the calculation of legacy costs. The prescribed formula for legacy calculation is used to determine what a centre's/agency projected operating costs for 2025 should be, then weighed against the benchmark calculations to determine the legacy top up.

<u>Costs deemed to be in lieu of profits</u>: Costs deemed to be in lieu of profits (such as in-kind benefits or perks directly or indirectly for the benefit of a controlling owner) are excluded from eligible costs. For example, year-end performance bonuses for the controlling owner.

Costs funded by another public source or reimbursed by another source (such as by insurance claims): Costs funded by another are excluded from eligible costs for calculating CWELCC cost-based funding.

Capital Renewal for Major Repairs of Sites of Existing Spaces: Capital renewal funding for major repair costs is not included in benchmarks.

Costs for ineligible children: Eligible costs attributable to providing child care to both eligible and ineligible children (for example, ages 6 to 12) are split using a reasonable methodology.

Financing Costs exceeding Canada Small Business Financing Program Rate: Eligible financing costs must not exceed those stemming from interest rates in alignment with the Canada Small Business Financing Program rates (for example, prime plus 3% for term loans and prime plus 5% for lines of credit). Loans from the federal or Ontario governments are exempt from this restriction.

Penalties, fines, forfeitures, or liquidated damages: Any penalties, fines, forfeitures, or liquidated damages incurred by the licensee are excluded.

Gains or losses resulting from the sale of tangible capital assets purchased with cost-based funding: Any gains or losses resulting from the sale of tangible capital assets purchased with cost-based funding must reduce (in the case of a gain) or increase (in the case of a loss) eligible costs for the calendar year in which the sale takes place.

See the Ministry of Education guideline for examples of assessing eligible costs.

To assess eligible costs, the following actions will be taken:

- Licensees will submit an audited financial statement following the end of the fiscal year end, including 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 the SSM.
- Licensees will submit standardized financial reports for each eligible centre/agency following the end of the calendar year, providing the breakdown of eligible costs, following the categorization of components of benchmark allocations (for example, program staffing, accommodations).
- Per the Compliance Assurance section below, the County of Simcoe will select a subset of eligible centres/agencies to undergo further scrutiny of eligible costs as identified on their standardized financial reports for the previous calendar year through a Direct Engagement to Report on Compliance, giving third-party assurance that all costs are eligible.
- In addition to those selected for a Direct Engagement to Report on Compliance, the County of Simcoe may review standardized financial reports or other available information and identify any risk of cost ineligibility.

- Where a risk of cost ineligibility is identified, the County of Simcoe will follow up with the licensee for more information relevant to their assessment of eligible costs (such as copies of receipts, quotes, details of circumstances).
- The County of Simcoe will review information provided by the licensee to assess the eligibility of costs claimed. In conducting that review, the County of Simcoe could consult with other SSMs, as appropriate, to support consistency of administration and consider costs incurred by comparable eligible centres/agencies.
- Where the County of Simcoe identifies an ineligible cost, they will:
    - Document the rationale for identifying that cost as ineligible
    - Adjust the eligible centre's/agency's eligible costs used in determining their Actual Cost-Based Funding to either:
        1. Where the cost is either unattributable or inappropriate, remove the ineligible cost from the Actual Program Costs; or,
        2. ii. Where the cost is attributable and appropriate, but unreasonable, adjust the total cost, included in the Actual Program Costs, down to a reasonable amount (that is, remove the ineligible portion of the total cost).
- In case of disagreement, the County of Simcoe and licensee must follow the dispute resolution process established by the County (see section below).

Compliance Assurance: Direct Engagement to Report of Compliance

Starting with the 2025 calendar year, as part of the reconciliation process after the end of each calendar year, SSMs must select a 5% sample of eligible centres/agencies that received cost-based funding for the calendar year, to undergo a Direct Engagement to Report on Compliance. This Report on Compliance will support the SSM's verification that the offsetting base fee revenue and costs reported on the standardized financial report were eligible and in compliance with Ministry guidelines.

The Report on Compliance will also confirm that amounts claimed for the eligible centre/agency on their standardized financial report are eligible costs, and that a reasonable methodology has been employed to pro-rate costs, where necessary.

A Direct Engagement to Report on Compliance will be performed by an independent third-party practitioner (that is, an external professional auditor) under the reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance. The practitioner's responsibility is to express an opinion on the licensee's compliance with this guideline in all significant respects.

The County of Simcoe is responsible for the performance of the Direct Engagement to Report on Compliance for the selected eligible centre/agency and will pay for it on their behalf.

In order to select the 5% sample of eligible centres/agencies each year, the County of Simcoe will select a stratified random sample of centres/agencies (i.e. based on being representative of the different types of operations, auspice, size, centre vs home-based) along with those centres/agencies that are identified based on certain criteria (i.e. one-time funding, large cost recovery, compliance issue in the past, etc.).

Cost Reviews

To support Ontario's cost control framework, in accordance with sound and reasonable use of public funding as required under the CWELCC agreement, the Ministry of Education is directing SSMs to review the costs of legacy (for 2025) or existing (for calendar years after 2025) eligible centres/agencies with the most disproportionately high top-up allocations. The goal of these cost reviews is not to reduce quality, but to gradually shift the overall cost of providing child care (that is, child care included in base fees) towards more standardized costs, as represented by benchmark allocations.

<u>Cost Review Selection Criteria</u>

As per the Ministry of Education guideline, the cost review selection criteria include:

- Existing centres/agencies whose top-up ratios, calculated as the eligible centre's/agency's legacy top-up (for 2025 only) or rolling top-up (for calendar years after 2025) divided by their benchmark allocation, exceeds the County of Simcoe-specific growth multiplier for the calendar year (Schedule C of the Ministry of Education guideline)
- Existing centres/agencies who were selected for a cost review in a previous calendar year are not subject to a new cost review in the current calendar year if the licensee continues to work on their cost reduction actions (that is, any existing centre/agency may only be selected for one cost review)
- By March 31 of each calendar year, after calculating eligible centres'/agencies' Cost-Based Funding Allocations for the calendar year, the County of Simcoe will select and engage for a cost review:
  - The top 10 per cent of all existing centres/agencies in descending order of top-up ratio, or
  - The total number of existing centres/agencies subject to cost reviews,
  - Whichever group is smaller

<u>Cost Review Process</u>

In collaboration with each existing centre/agency selected for a cost review, the County of Simcoe will seek to identify potential cost reductions, such as:

- Any costs that are, in fact, ineligible, in which case the County of Simcoe will reduce the existing centre's/agency's Cost-Based Funding Allocation for the calendar year; or
- Opportunities for improved efficiencies in eligible costs, considering all the circumstances, including costs that:
  - may not provide significant value to the quality of the child care being provided, such as redundant costs that could be eliminated; or

- could be incurred in more efficient ways, such as through bulk ordering, outsourcing of certain tasks, or other common business approaches.

It is possible that no such cost reductions can be found, in which case no further actions will be taken. For example, reductions of eligible costs may not be possible where those costs are incurred due to circumstances, such as:

- An existing long-term lease;
- Geographic remoteness;
- Dietary restrictions where food supply is limited, and the cost is higher;
- Staffing costs associated with child care being provided in a particular language where labour supply is limited or more expensive; or,
- Costs associated with specific value propositions included in base fees, including music or swimming lessons or other pedagogical inclusions.

In cases where opportunities for improved efficiencies in eligible costs are identified and agreed upon between the County of Simcoe and licensee, the County of Simcoe may reduce the existing centre's/agency's Cost-Based Funding Allocation in accordance with a reasonable schedule by which the costs can be reduced (for example, accounting for time-limited contractual obligations). This schedule may last beyond the end of the calendar year but should not exceed December 31 of the third subsequent calendar year.

Cost reviews will be completed by December 31 of the calendar year, including the identification of a reasonable schedule to reduce eligible costs, where applicable.

See the Ministry of Education guideline for detailed information about these accountability aspects of the cost-based funding allocation.

11 Dispute Resolution

Where a program is denied a request, the Licensee/Applicant may appeal the decision by completing the following steps:

- Indicate in writing within 10 business days of receiving the decision that they are appealing the decision
- The Licensee/Applicant must provide the reasons they feel the program should be eligible for the request submitted
- The Licensee/Applicant must include all supporting documentation that the Licensee/Applicant believes will be relevant to the appeal
- The Program Supervisor will review the information provided and notify the Licensee/Applicant of the decision in writing.

12 Other

Other Revenue Sources (e.g. fundraising or interest income)

The regulatory framework under the Child Care and Early Years Act, 2014 does not prohibit licensees from using other revenue sources. Other revenue such as donations or fundraising (that are not mandatory for families), non-base fees revenue, and interest income must not be factored in the calculation of either Cost-Based Funding Allocations or Actual Cost-Based Funding.

Any gains resulting from the sale of minor capital assets purchased with cost-based funding must reduce eligible costs for the calendar year in which the sale takes place.

Costs funded by another public source or reimbursed by another source (such as by insurance claims) are not eligible costs.

Sale of CWELCC-Enrolled Business

Funding is tied to the license, and licenses are not transferable. The transfer of assets to a new person would require that the new person obtains a new license, and licenses obtained after the announcement date are not eligible for legacy top-ups. However, the transfer of shares of a licensee that is a corporation may not change the license, and, in this case, eligibility for legacy top-up for the eligible centre/agency would remain.

Appendix A

Workforce Compensation

Workforce compensation funding supports recruitment and retention of Ontario's child care workforce through improved compensation for lower-wage earners. CWELCC enrolled centre/agencies with eligible positions serving children aged 0 to 5 have workforce compensation funding built into their benchmark allocations under cost-based funding and must meet workforce compensation requirements.

Wage Enhancement Grant

The child care WEG (wage enhancement grant) has been factored into the staffing benchmarks (within the Cost Based Funding allocation) to support the retention of qualified professionals to deliver affordable, high-quality services for eligible centres/agencies.

Annual Wage Increase

To be eligible for an annual wage increase, staff must be employed by a licensee that is enrolled in the CWELCC program and be in one of the following program positions:

RECE Program staff

RECE Child Care Supervisor

RECE Home Child Care Visitor

The only exception to the first two positions noted above is if the staff is a RECE and the position spends at least 25 percent of its time to support ratio requirements as outlined in the Child Care and Early Years Act. In this case, the staff would be eligible for the wage floor and annual wage increase for the hours that they are supporting the ratio requirements.

Annual wage increase funding is tied to the position and not the individual staff. Effective each January 1 from 2023 to 2026, eligible licensees must increase the hourly wage of eligible RECE staff whose wages fall below the wage eligible ceiling for the year (up to a total of $3 per hour by the end of 2025). For example, to receive the annual wage increase for 2025, eligible RECE program staff must have an hourly wage below $27 per hour. For eligible RECE child care supervisors and RECE home child care visitors, their hourly wage must be below $30 per hour (for 2025).

The annual wage increase is up to $1 per hour plus 17.5% in benefits, compounded year over year, up to the wage eligibly ceiling for the calendar year.

The new wage eligibility ceiling for 2025 will come into effect on January 1, 2025.

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

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).

Wage Floor

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

Hourly Wage Floor 2022-2026

	2022	2023	2024	2025	2026
RECE Program Staff	$18.00	$19.00	$23.86	$24.86	$25.86
RECE Child Care Supervisor or RECE Home Child Care Visitor	$20.00	$21.00	$24.86	$25.86	$26.86

Order of Operations

To determine the RECE workforce compensation eligibility, the following order of operations must be followed:

A. First determine 2024 base wage (paid exclusively by employer and includes any employer-based wage improvements such as obligations from collective agreements and minimum wage increases)

B. Add any General Operating Grant funding used to support wage improvements

C. Add eligible WEG amount ($2 per hour, up to a maximum of $32.81 per hour as per the MEDU Guidelines)

D. Add eligible CWELCC annual wage increases of $1/hour, compounded year over year, up to the wage eligibility ceiling for the year

*The total wage from Steps 1 – 3 is used to determine if the individual is above or below the wage floor.

E. Add CWELCC incremental wage floor funding, if applicable

The total of A-E is the individual's total wage before statutory benefits are considered. If a licensee is unsure if an individual is eligible for workforce compensation funding regarding the wage floor or annual increase, please contact your Compliance Analyst for clarification.

Payments to Staff

As this funding is intended to be part of the individual's wages, it must be provided to eligible staff in each pay cheque or payment made. Workforce compensation may not be paid at a later date as a lump sum payment.

Other Compensation Increases

Workforce compensation funding must be considered in addition to and not reduce other planned compensation increases for eligible staff. For example, the wage floor and annual wage increase cannot be used to reduce or replace agency-planned merit increases for eligible staff.

Written Notice of Wage Floor and/or Annual Increase

Upon receiving confirmation of enrollment in the CWELCC program, and as new staff are hired, licensees are required to share in writing information about the wage floor and annual wage increase with eligible staff. The information must provide eligible staff with an understanding of upcoming annual wage changes due to the workforce compensation funding. At a minimum, the information about wages must include the wage floor and required annual wage increase for each year up to and including 2026.

Alignment with Collective Agreements

Some licensees may be subject to the terms of a collective agreement. Licensees should seek independent legal advice on implementing the wage floor and annual wage increase. If the funding is not used for this purpose, it must be returned to the County.

Statutory Benefits Costs

Workforce compensation funding includes up to 17.5% to cover the licensee's statutory benefits costs. This includes the employer portion of CPP (Canada Pension Plan), EI (Employment Insurance), EHT (Employer Health Tax if applicable), WSIB (Workplace Safety and Insurance Board if applicable), two weeks of vacation and nine statutory holidays. Any remaining funding within the 17.5% can be used to fund other benefit expenses paid by the licensee/employer on behalf of the employees.

Statutory benefits are not paid directly to the employee. The employer's portion of the statutory benefits are to be remitted by the licensee to the applicable government agency by the deadline. The portion of the statutory benefits required to support vacation and/or statutory holiday pay should be retained by the employer to pay the individuals appropriately when vacation time or statutory holidays occur. If you have additional questions regarding your statutory benefits obligations, we recommend speaking with your accountant and/or bookkeeper.