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The Regional Municipality of Durham Information Report

From: Commissioner of Social Services
Report: #2024-INFO-71
Date: November 1, 2024

Subject:

Changes to child care resulting from the 2025 Canada-Wide Early Learning and Child Care (CWELCC) Funding Model Update

Recommendation:

Receive for information.

Report:

1. Purpose

1.1 To provide an overview of upcoming changes to the Canada-Wide Early Learning and Child Care (CWELCC) funding model (2025) and the impact to families, child care operators and educators.

2. Background

2.1 The Canada-Wide Early Learning and Child Care (CWELCC) Agreement in Ontario, signed in March 2022, aims to make child care more affordable and accessible. Here are the key developments from its inception to now:

- a. Fee Reductions: The agreement set a goal to reduce child care fees to an average of \$10 per day by 2026. Initial reductions began in 2022, with further decreases planned annually.
- b. Funding and Expansion: Ontario received significant federal funding to support the expansion of child care spaces and improve the quality of care. This funding is part of a six-year, \$13.2 billion agreement.
 - From March 2022 to December 31, 2022, all licensed child care operators had the choice to opt-in or opt-out of the CWELCC system. This was known as the 'open enrollment' phase.
 - Starting January 1, 2023, CWELCC expansion is capped through Provincially mandated, annual growth targets.

- New and expanding child care operators are eligible to apply for growth targets and join CWELCC if their location aligns with the Municipal child care expansion plan and fits within the Provincially mandated growth caps/targets.
- c. Support for Operators: Licensed child care operators who opted into the CWELCC system receive financial support to help them reduce fees and maintain quality services.
- Beginning in 2022, funding for CWELCC was provided on a 'revenue replacement' model and intended to be temporary. This funding model will be replaced in 2025 with a "cost based" funding model.
- d. Workforce Initiatives: Efforts have been made to support early childhood educators through wage enhancements and professional development opportunities.
- e. Implementation and Monitoring: The province has been working with Consolidated Municipal Service Managers (CMSMs) to implement and monitor the program, ensuring compliance and effective use of funds.
- 2.2 The CWELCC funding model is undergoing significant updates starting in 2025. These changes aim to enhance affordability, accessibility, and quality of child care across Canada. The key changes and their anticipated impacts on families, child care providers, and the broader community are outlined below.

3. Current and future status

- 3.1 Licensed Child Care is Changing: Changing from a collection of independent businesses who receive provincial/municipal grants to help lower fees for families, to a system of independent businesses who must choose to either operate within the provincial financial framework or choose to operate outside of the funding system.
- 3.2 Starting January 2025, Consolidated Municipal Service Managers (CMSM's) for Child Care will have several key responsibilities in the child care system:
- a. Planning and Administration: CMSM's will continue to play a central role in planning and administering early years and licensed child care services. This includes:
- Developing and implementing local child care service plans that align with provincial policies and priorities.
 - Approving or declining all new applications for CWELCC enrollment or expansion.
 - Ensuring system expansion is in alignment with Provincially mandated expansion caps.

- b. **Funding Distribution:** CMSM's will distribute funding to child care operators under the new cost-based funding model. This involves reviewing financial and operational details of all child care centers and ensuring that funds are allocated based on the true costs of operating child care services.
 - c. **Monitoring and Compliance:** CMSM's will oversee compliance with provincial regulations and standards and monitor child care operators to ensure they meet the requirements of the CWELCC program and other relevant regulations.
 - d. **Support and Capacity Building:** CMSM's will support child care operators by providing guidance and resources to help them adapt to the new funding model and other changes. This includes offering training and professional development opportunities for owners, operators, boards of directors and early childhood educators.
 - e. **Data Collection and Reporting:** CMSM's will collect and report data on child care services to provincial government. This data will be used to inform policy decisions and ensure accountability in the child care system.
- 3.3 These changes aim to enhance the efficiency and effectiveness of child care services, making them more accessible and affordable for families across Ontario.

4. Benefits and Challenges of CWELCC

4.1 Benefits for Families: The CWELCC system and new funding formula benefits families through lower monthly costs for child care:

- a. For example, when CWELCC began in 2022, families paid on average \$16,443 per year (\$63/day) for an infant space. In 2025, the average cost to families will be only \$5,742 per year (\$22/day) and finally down to \$2,610 in 2026 when parent fees reach an average of \$10/day. That represents a savings of almost \$14,000 annually.

4.2 Benefits for operators and educators:

- a. Operators will receive stable, predictable funding that supports the actual cost of operating a child care center in Ontario.
- b. CWELCC funding ensures registered early childhood educators (RECE's) receive a decent wage and annual wage increases. This supports the recruitment and retention of educators and helps to address the critical staffing shortage being experienced in the child care sector. The minimum hourly salary for a RECE will move from \$18/hr in 2022 to \$25.86/hr in 2026.

4.3 Challenged to CWELCC: insufficient supply to meet the increasing demand:

- a. In Durham, there are currently enough licensed child care spaces to serve approximately 10% of all children aged 0-3 in Durham and about 60% of all children aged 4-5 years.
 - b. All CWLECC funded spaces are available to any family who enrolls their children in a CWLECC eligible center: there is no eligibility criteria to receive a funded space.
 - c. The lower fees have drastically increased the demand for child care. Currently families are waiting more than 2 years for a child care space in Durham Region.
 - d. The province is limiting expansion of CWLECC system spaces through annual Growth Caps. Durham was given only 2,029 growth spaces – representing a 12% increase in the number of CWLECC spaces from 2022 to 2026.
 - e. Current operator requests for CWLECC growth spaces exceeds Durham's cap by more than 1500 spaces. An increase to Durham's growth cap could go a long way to reducing child care wait lists.
- 4.4 Challenge due to profit caps, increased accountability, and Government oversight:
- a. Child care operators, notably the for-profit child care operators' groups in Ontario have voiced their concerns over the CWLECC funding model (see 4.5 below).
 - b. The province has stated that participation in the CWLECC system is voluntary and that the updated funding model allows for guaranteed funding, including a profit level that ensures accountability for the use of public funds.
- 4.5 Funding Model: Revenue for child care programs serving children under 6 years of age will be funded primarily through CWLECC:
- a. CWLECC revenue will be calculated using Provincial benchmarks and eligible top-ups.
 - b. Profit/Surplus is capped at a maximum of 7.75% of eligible expenditures.
 - c. Eligible and ineligible expenses are determined by provincial guidelines.
 - d. Only eligible expenditures such as rent, food costs, and salaries will be funded as part of CWLECC. Year-end reconciliations and recoveries will occur where to ensure funding is used for its intended purpose.
- 4.6 Some for-profit operators within the system have indicated that the cap on profit is too low. This may mean some operators choose to leave CWLECC. Should licensees choose to leave CWLECC, we would redistribute the CWLECC spaces to

other operators. This would keep the spaces in Durham but pose an extreme hardship to families who lose a funded space.

5. Advocacy and Next Steps:

- 5.1 Staff within the Social Services Department are taking steps to increase the number of available CWELCC spaces by:
- a. Advocating to the Province for additional CWLECC growth spaces.
 - b. Working with operators to redistribute existing but unused licensed capacity.
 - c. Providing advice and input through Provincial Technical table meetings, the Ministers advisory table, Urban Commissioners meetings, OMSSA Networks and directly through Qs and As to the Ministry of Education.

Note: The Ministry of Education has indicated that a full review with potential province-wide space redistribution will occur in late 2024 or early 2025.

- 5.2 Families can find child care through updated information and program locator map on our [Finding Quality Child Care](#) web page.
- 5.3 Operators are provided with information through virtual and in-person group sessions and one-on-one meetings, working to seamlessly to transition operators into the new funding model.

6. Previous Reports and Decisions

- 6.1 The following report provided information on the initial (temporary) funding model, operator enrollment details and implementation timelines of the Canada-Wide Early Learning and Child Care (CWELCC) system.
- a. [2022-SS-6](#): Canada-Wide Early Learning and Child Care System
 - b. [2024-SS-4](#): Unbudgeted Provincial funding from the Ministry of Education for the Canada-Wide Early Learning and Child Care System
 - c. [2024-SS-10](#): Unbudgeted Provincial funding from the Ministry of Education for the Canada-Wide Early Learning and Child Care System

7. Relationship to Strategic Plan

- 7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Goal 2: Community Vitality – To foster an exceptional quality of life with services that contribute to strong neighbourhoods, vibrant and diverse communities, and influence our safety and well-being.
 - b. Goal 4: Social Investment – to ensure a range of programs, services and supports are available and accessible to those in need so that no individual is left behind.

- c. Goal 5: Service Excellence – To provide exceptional value to Durham taxpayers through responsive, effective, and fiscally sustainable service delivery.

8. Conclusion

- 8.1 The Children’s Services Division continues to work with the province and child care operators to ensure the success of the CWELCC implementation and to expand CWELCC spaces in Durham.
- 8.2 The CSD also continues to provide advice and information to Durham residents and members of council to increase understanding of this new system.

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Respectfully submitted,

Original signed by

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