

Ministry of Education
Early Years and Child Care Division

315 Front Street West, 11th Floor
Toronto, ON M7A 0B8

Dear Partners:

Thank you for your efforts and engagement in supporting the implementation of the Canada-Ontario Canada-Wide Early Learning and Child Care (CWELCC) system. The CWELCC is a historic opportunity to support children, families, child care workers and employers across the province, and your partnership is key to our success.

The Ministry of Education is committed to working with municipal partners, child care licensees and the federal government to ensure the necessary information and supports are in place.

We have heard your feedback on the need for stability in funding approaches for the 2023 year and have heard the need for early and clear communication.

I am pleased to share a brief overview of the 2023 funding approach under the CWELCC. This is being shared in advance of and in addition to the detailed guidelines that municipal partners receive annually. This is our confirmed approach for 2023, which demonstrates that existing, annual child care funding will remain largely unchanged, to ensure consistency and stability for Ontario's child care sector as we work together to implement the CWELCC system.

We encourage municipal partners to review this material and to share with community child care operators, both those who have opted in to the CWELCC system as well as those who have not yet declared their intention to enrol. The materials have been designed to be clear and transparent to enable valued partners to plan and inform their decisions moving forward.

We thank you for your dedication and hard work to support Ontario's families through affordable, accessible, inclusive and high-quality child care.

Sincerely,



Holly Moran
Assistant Deputy Minister
Early Years and Child Care Division
Ministry of Education

Ontario's Plan to implement the Canada-Ontario Canada-Wide Early Learning and Child Care (CWELCC) system is designed to support Ontario's children, families, employers and the child care sector to make licensed child care programs more affordable, accessible, inclusive and of higher quality. Key to our collective success is ensuring that partners in the child care sector have the information they need to plan and to make informed choices.

In August 2022, the Ministry of Education ('ministry') released an addendum to its [funding] guidelines, which outlined the following principles that are guiding the implementation of Ontario's Action Plan:

- Quality-focused
- Child and family-focused
- Protection of for-profit and non-profit spaces
- Efficient administrative system

The revisions offered greater transparency and streamlined the information required for operator enrolment while maintaining Ontario's cost control framework. At that time, the government also extended the period for operators to enrol in the CWELCC to November 1, 2022.

These changes reflect a need to reduce the barriers to participating in the CWELCC system, in order to make participation easier for licensed child care operators and to maximize the benefits to Ontario's children and families of more affordable, accessible, inclusive and high quality child care.

The purpose of this document is to identify how funding will work in 2023, including funding that will enable lower fees for families, wage increases for Registered Early Childhood Educators and other commitments in Ontario's Action Plan. It is focused on consistent funding approaches associated with the CWELCC system and should be seen as an addition to existing annual child care funding. Key pieces in the 2023 funding approach include:

- Fee reduction of an average of 50% relative to 2020 levels by the end of December 2022 for parents with children under age 6.
- Continuation of the revenue replacement approach to support the implementation of the fee reduction and provide consistent revenue stream.
- Additional funding of 2.75% or approximately \$130M to support cost increases that operators may face.
- Funding to support wage increases for eligible staff, on top of 2022 wage floor.

More detailed guidelines will be issued to municipalities in early November, which will reflect the approach outlined below.

Key Highlights: What You Need to Know About the 2023 Funding Approach

Consistency and Stability

The 2023 child care funding approach under the CWELCC program supported by the Government of Canada is designed to ensure consistency and stability for Ontario's child care sector during the process of implementing Ontario's Action Plan. This means that existing, annual child care funding will remain largely unchanged. Funding allocations to support the implementation of the CWELCC system will be in addition to existing annual funding and use similar funding structures and processes as those that exist today.

For future years beyond 2023, the ministry is working on the development of a new Child Care Funding Formula (CCFF) that aims to integrate the current approach for allocating child care funds with the new CWELCC program, in order to support the need for clarity and transparency. The ministry is currently consulting with the child care sector in order to inform a cost-based funding approach and will be looking to release and implement the revised formula for 2024.

In relation to the 2023 guidelines that will be released in the coming weeks, key elements of the approach are detailed below.

For Ontario's Families

For 2023, funding will be provided to support participating child care licensees to reduce parent fees for children under age six to a provincial average of \$23 per day, equating to an average 50% fee reduction (based on 2020 average fees). The fee reduction will come into effect December 31, 2022. As a result, families who have already had fees reduced by 25% through CWELCC will see those fees reduced by a further 37% to a floor of \$12 per day.

For Child Care Licensees

The province is continuing the revenue replacement approach to support the implementation of the fee reduction that will come into effect December 31, 2022. This approach will provide a consistent revenue stream for participating child care licensees to implement the parent fee reduction, while still maintaining Ontario's cost control framework, including a requirement for audited financial statements for program participants in 2023, without having to make changes to program delivery and cost structures.

For Registered Early Childhood Educators (RECEs) Working in Licensed Child Care

Funding will be provided in 2023 to support the wage increases available to eligible staff

on top of the wage floor that was provided in 2022. Funding will support a top up of up to \$1 per hour on wage increases, to a maximum of \$25 per hour, as well as an increase to the RECE wage floor. Work is on-going to develop a broader child care workforce strategy to identify further supports for Ontario's valued child care workforce.

Overview: 2023 Funding Approach for Ontario's Child Care Sector

The following includes an overview of approaches for key elements of the 2023 funding approach for participants in the CWELCC system. These are in addition to existing elements of the annual funding allocation, which are expected to be largely similar to previous years and include contributions from the Government of Canada.

Making child care more affordable for families is a key part of the implementation of the CWELCC system. Ontario committed to reducing parent fees for children under age 6 by an average of 50% of 2020 levels by the end of December 2022. This includes a 25% reduction in 2022 and an additional fee reduction of 37% for 2023, bringing the provincial average fee to \$23 per day (50% of 2020 fee).

To support continued savings for parents, and as the next phase of fee reductions is implemented, starting December 31st, licensees who opted in and reduced their fees by 25% in 2022 will receive funding to further reduce their fees by an additional 37% to a minimum daily rate of \$12.

- **Example 1:** For a participating licensee whose fee was \$50 per day in March 2022, implementing the 25% reduction in 2022 would have reduced their daily fee to \$37.50 from April to December. Starting December 31, 2022, the daily fee would be \$23.63.
- **Example 2:** For a participating licensee whose fee was \$25 per day in March 2022, implementing the 25% reduction in 2022 would have reduced their daily fee to \$18.75 from April to December. Starting December 31, 2022, the daily fee would be \$12 (minimum daily rate).

For licensees who are newly licensed in 2023 and opt-in, their fees will be capped on regional maximums as set out in O. Reg 137/15 and funding will be provided to reduce such fees by 52.75%, which represents the equivalent percentage reduction where a licensee reduces their capped fee by 25% in 2022 and again by 37% starting December 31, 2022.

- **Example 1:** A new licensee opens a child care centre in February 2023 in Windsor, with infant full-day space. The fee for infant full-day space would be capped at the regional maximum of \$51.03 according to regulation. With CWELCC fee reduction in place, their fee would be reduced to \$24.11 [$\$51.03 \times (1 - 0.5275)$]

The province and the federal government are supporting licensees to implement this fee reduction by providing municipalities with \$1.9B for fee reductions as part of the 2023 allocations, representing an increase of over \$1.2B from 2022.

Fee Subsidy – Parental Contribution Reduction

Families or parents that receive a child care subsidy will benefit from a percentage reduction of 50% in their parental contributions. Consistent with 2022, the minimum daily rate of \$12 will not apply to fee subsidy families and their parent contribution amount may be reduced to lower than \$12 per day. Access for fee subsidy recipients to the parental contribution reductions will depend on whether the eligible child is enrolled with a licensed child care centre or home child care provider that is participating in the CWELCC system.

- **Example 1:** *A CWELCC licensee's space is occupied by a fee subsidy recipient with a single eligible child and has a parent contribution of \$20 per day based on income test. From April 2022 to December 2022, the parental contribution was reduced by 25% from \$20 to \$15 per day. Starting December 31, 2022:*
 - *Parental contribution based on income test will be reduced by a percentage reduction of 50% from \$20 to \$10 [$\$20 \times (1-0.50)$]*

Please refer to Appendix A for an illustration of the fee reduction approach and Appendix B for examples of various family scenarios.

Enhanced Funding to Support Cost Escalation

A primary goal of CWELCC is that participation in this program does not come at a cost to licensees themselves. The ministry understands one of the key challenges that is impacting the sustainability of child care programs is the result of cost escalations, including rent, staffing and other costs of running a child care program.

This is why the ministry has included additional funding of approximately \$130M in the 2023 allocations to support cost increases that operators may face. In 2023, to support increasing costs beyond the revenue replacement to licensees, CMSMs and DSSABs will provide an additional 2.75% to all enrolled licensees. Further details on how CMSMs and DSSABs will apply the cost escalation will be included as part of the guidelines. The impact of increasing costs should not serve as a barrier for participating in CWELCC.

Allocations for 2023 have also been updated to include actual licensed spaces up to August 31st, 2022. For spaces created after this date, the ministry will have further information in the future.

2023 Approach to Improving Quality Through Workforce Supports

In 2023, funding will continue to be provided to support workforce compensation for eligible RECE staff. As in 2022, to be eligible for the annual wage increase, program staff must be employed by a licensee that is participating in the CWELCC system and be in a position categorized as:

- RECE Program Staff
- RECE Child Care Supervisor or RECE Home Child Care Visitor

In 2023, for eligible RECE staff working in licensed child care settings, the ministry will be providing funding for a top-up of up to \$1 per hour wage increase, to a maximum of \$25 per hour. Funding provided for the \$1 per hour increase for those earning less than \$25 per hour will be net of any employer provided increases (i.e. funding will support a maximum \$1 per hour total wage increase for RECE staff in 2023).

As a result of the top-up of the up to \$1 per hour wage increase, the ministry is providing funding to support an hourly wage floor for 2023 of \$19 for RECE program staff and \$21 for RECE child care supervisors or RECE home child care visitors. The ministry is also providing funding for an overall cost escalation amount of 2.75% to support general wage increases, including wages of \$25 per hour or higher, and other non-staff cost increases. Licensees are expected to continue to meet their collective agreement obligations where applicable.

In addition, there are requirements to be eligible for funding based on existing wage enhancement funding.

Please see Appendix D for additional information.

Year Over Year Funding Comparison

Total investments from the Government of Ontario and Government of Canada in the child care and early years program — to support the implementation of fee reductions, workforce supports, and other measures — will total more than \$3.9B in 2023.

2022	2023	Year Over Year Change (\$/%)
\$2.7 billion	\$3.9 billion	\$1.2 billion/44% increase

As a result of this historic investment, parents will see, on average, a decrease of \$25 per day per space, and savings of \$6,500¹ per year per space in 2023 compared to March 2022.

¹ Calculated assuming 260 days of care (five days per week for 52 weeks)

Moving Forward: Next Steps for Implementation

As a reminder, the ministry has extended the enrolment date for licensees who want to provide rebates to parents in 2022 to November 1, 2022. This includes the deadline for licensees to notify parents, staff and providers of their intention to enrol or not, as well as the deadline for existing programs to update their parent handbook.

Successful implementation of the CWELCC system is only possible with the commitment, knowledge, and experience of Ontario's diverse range of child care and early years leaders. Over the coming months, the ministry will collaborate with the federal government, municipalities (CMSMs and DSSABs), licensees and other sector partners as we chart our path forward.

The ministry plans to consult with child care partners on additional CWELCC priorities, including workforce recruitment and retention and the development of a growth and inclusion framework to support space expansion priorities as well as the needs of vulnerable and diverse populations. These consultations will provide important information and feedback from child care partners and inform the development of the CWELCC guideline.

The ministry also intends to release a discussion paper on the cost-based funding formula. The content will provide further information on the ministry's proposed approach, as the sector continues to provide feedback as part of the Minister's Advisory Group. We hope to share more information with the sector in the coming months.

Appendix

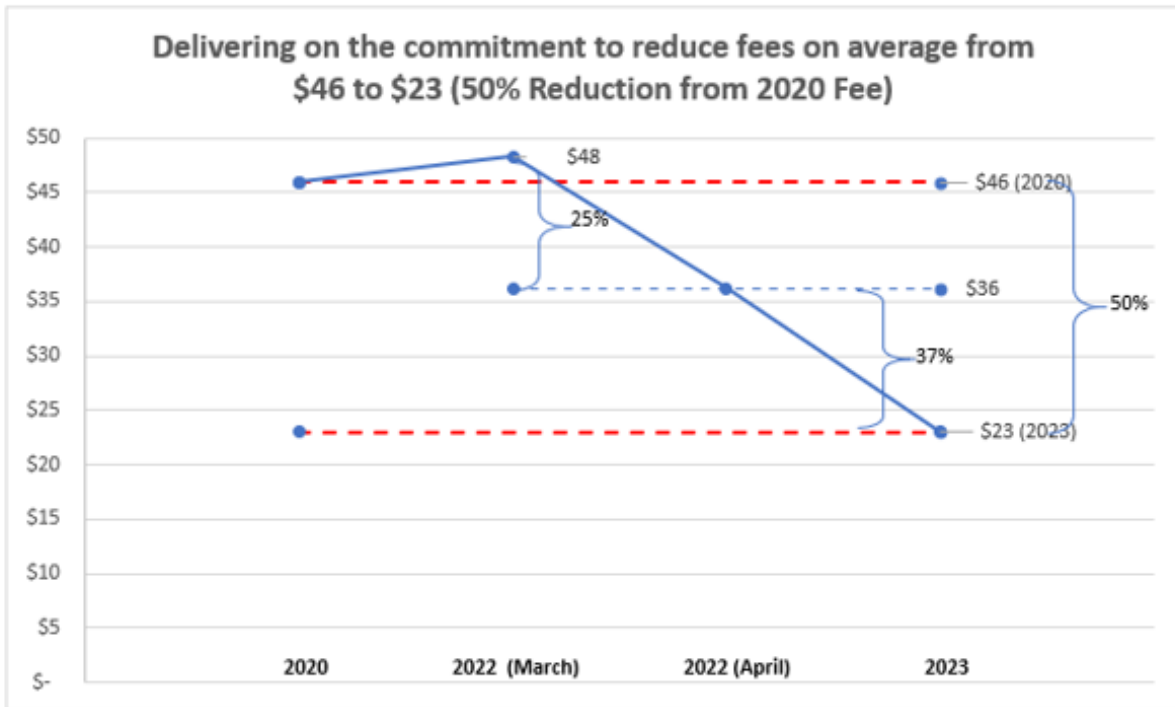
A: Affordability: Lowering Fees for Families in Ontario

B: Affordability: What this means for Ontario's families

C: What this means for Ontario's Child Care Operators

D: What this means For Ontario's Registered Early Childhood Educators (RECEs)

Appendix A - Affordability: Lowering Fees for Families in Ontario:



Note: Numbers are used for illustrative purposes only, and may not add up due to the application of the \$12 floor on fees and rounding.

In April 2022, Ontario implemented a 25% reduction in fees based on rates in place at that time. Parents will now see an additional 37% reduction where their eligible child attends a centre participating in CWELCC and has already reduced fees. For licensees that are newly participating in 2023, they will be required to reduce their capped fee by 52.75%, which represents the equivalent percentage reduction where a licensee reduces their capped fee by 25% in 2022 and again by 37% effective December 31, 2022.

Appendix B – Affordability: What this means for Ontario’s families:

All Ontario families with children under age 6 in **participating licensed child care** will see an additional fee reduction of up to 37% (to a minimum of \$12 per day), starting December 31, 2022.

Lowering Fees and Improving Affordability

Agnes currently pays \$74/day in child-care fees for her 18 month-old daughter Vanessa (toddler age group) and \$20/day for her 5 year-old son Brian. The child care centre Agnes’ children attend has not yet enrolled in CWELCC. If her child care centre enrolls in the CWELCC program effective December 31st, 2022, parent fees for Vanessa will be reduced by 52.75% to \$34.97/ day. Fees for Brian will be reduced to the minimum daily rate of \$12.

For 2023, Agnes will have an annual savings of \$12,229 on child-care fees.



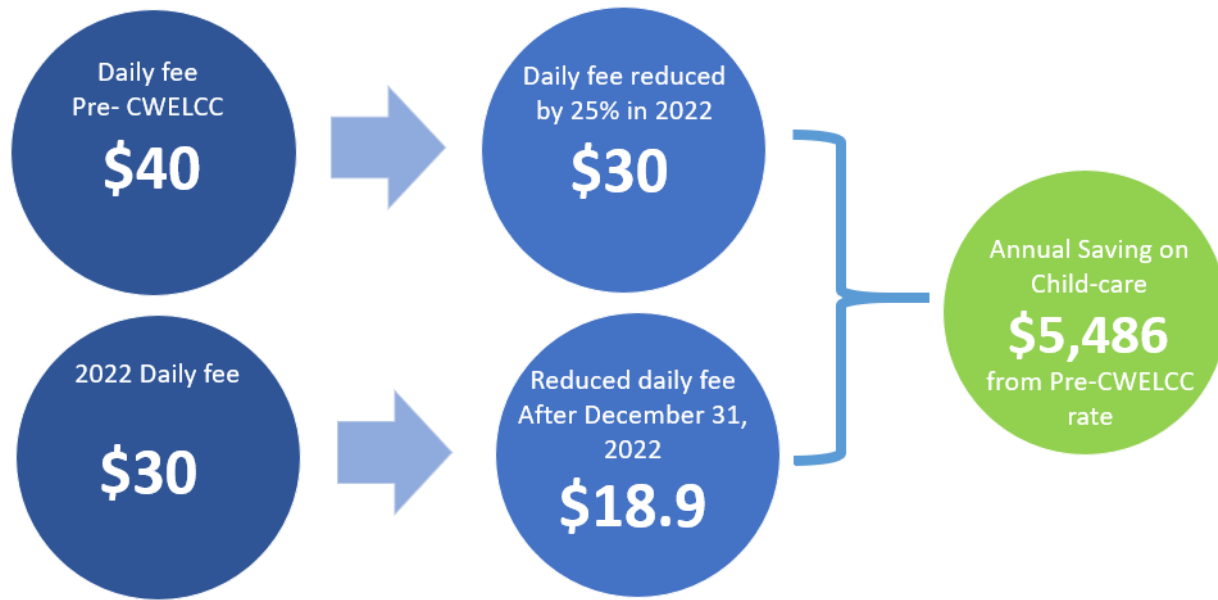
*assuming 260 days of child-care required per year

Affordability: What this means for Ontario's families:

Lowering Fees and Improving Affordability

Danielle currently pays \$30/day in child care fees for her 5 year-old son Alex. As the child care centre that Alex attends had enrolled in CWELCC in 2022, Danielle is already benefiting from the initial 25% reduction (i.e., from \$40/day to \$30/day), which is reflected in her current fee. Effective December 31st, 2022, the already reduced parent fee for Danielle will be further reduced by an additional 37% to \$18.90/ day.

For 2023, Danielle will have annual savings of \$5,486 on child-care fees.



*assuming 260 days of child-care required per year

Affordability: What this means for Ontario's families:

For families who receive child care fee subsidy, parents will also benefit from a percentage reduction of 50% in their parental contributions, where their eligible child attends a centre that is enrolled in CWELCC.

Lowering Fees and Improving Affordability

Jonathan currently pays \$20/day in parental contribution for his 18 month-old daughter Qin (toddler age group). If his child care centre enrolls in the CWELCC program effective December 31st, 2022, the parental contribution for Jonathan will be reduced by 50% to \$10.

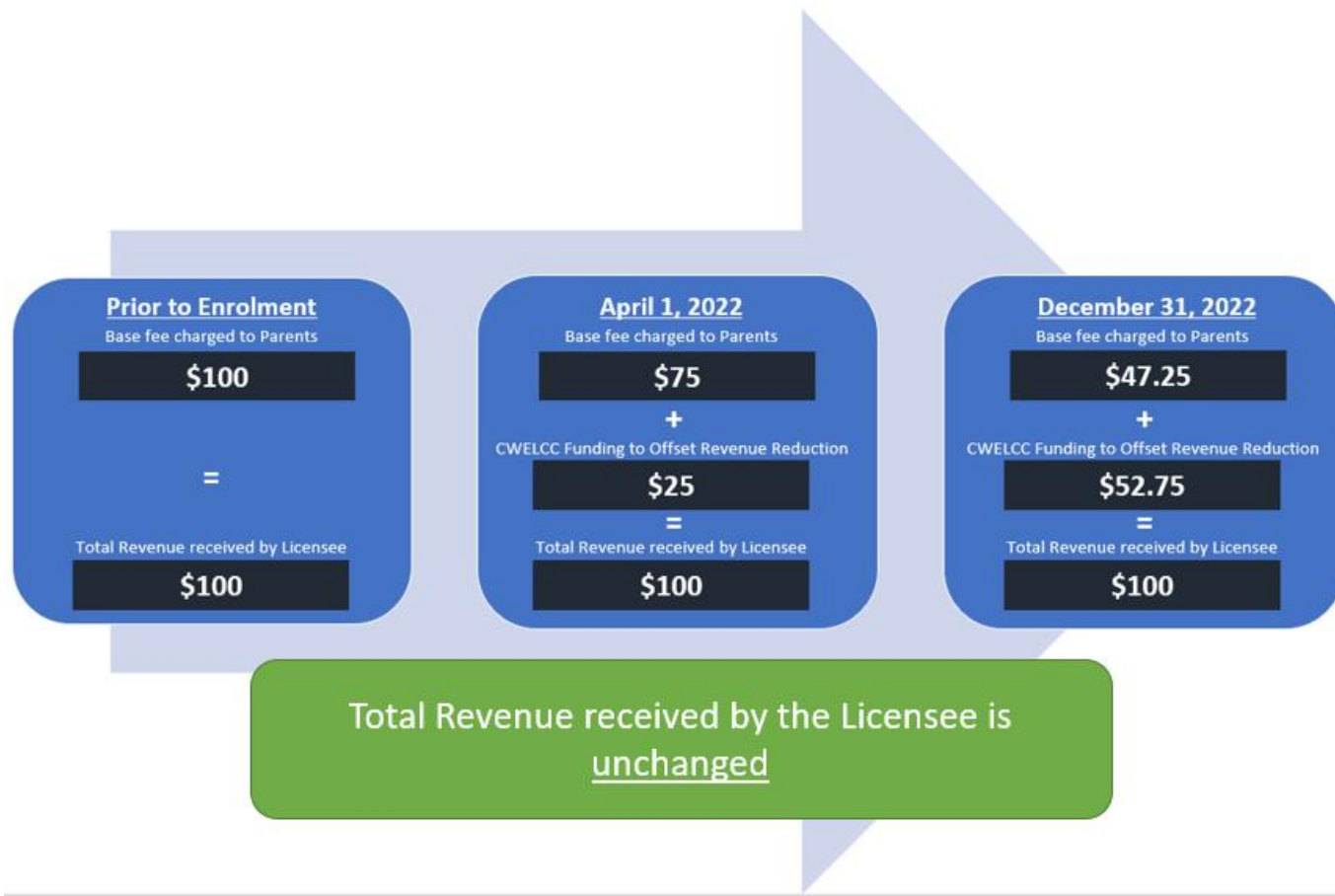
For 2023, Jonathan will have an annual saving of \$2,600 on parental contributions.



*assuming 260 days of child-care required per year

Appendix C - What this means for Ontario's Child Care Licensees:

Licensee Revenue – Pre and Post CWELCC



Appendix D - What this means For Ontario’s Registered Early Childhood Educators (RECEs) Working in Licensed Child Care:

Ontario will work towards a strong, stable child care workforce to meet the demand for spaces and ensure quality in child care programming. This will include establishing a wage minimum of \$19-\$21 for RECEs/RECE Supervisors and a top-up of up to **\$1 per hour** increases per year up to **\$25 per hour**. This is in addition to the existing Wage Enhancement Grant currently provided.

Hourly Wage Floor 2022 to 2026

	2022	2023	2024	2025	2026
RECE Program Staff	\$18	\$19	\$20	\$21	\$22
RECE Child Care Supervisors or RECE Home Child Care Visitors	\$20	\$21	\$22	\$23	\$24

*In addition to the hourly wage increases, staff are required to receive benefit